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17 December 1984

## **Southeast Asia Report**

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17 December 1984

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CCP HEAD ADMITS HAWKE MEDIATING ROLE WITH SRV

Brisbane THE COURIER MAIL in English 13 Oct 84 p 1

[Article by Bruce Jones]

[Text] CANBERRA--The Chinese Communist Party Secretary, Mr Hu Yao Bang, has confirmed that the Prime Minister, Mr Hawke, played a secret and highly sensitive role in attempts to end the conflict between China and Vietnam over Kampuchea.

He also appears to have vindicated Mr Hawke's claim that Australia is uniquely placed to play such a role because of its continuing good relations with China, Vietnam, members of the Association of South East Asian Nations (ASEAN) and the United States.

Official sources said this week that Mr Hawke, who visited China early this year, acted as a trusted go-between for both the Chinese and Vietnamese leaderships, conveying messages between Mr Hu and the Vietnamese Prime Minister, Pham Van Dong.

Although there was speculation to this effect at the time, it was never officially acknowledged, apparently because of the sensitive and delicate nature of the negotiations.

The disclosure follows publication on September 30 of an interview with Mr Hu in the Italian Communist Party newspaper L'Unita.

Mr Hu said he had indicated to the Vietnamese on several occasions that if they withdrew their troops from Kampuchea, then Vietnam and China could return to "an era of traditional friendship".

The interview continued: They have not replied.

"I asked Australian Prime Minister Hawke to convey this message to Hanoi.

"I know that he did so and this was discussed at a meeting of the CPV (Communist Party of Vietnam) politbureau, but they did not take it up.

"They consider it a ruse on our part."

The sources disclosed that during private, and unexpected, talks between Mr Hawke and Mr Hu in Shanghai last February, Mr Hawke was asked to convey a message from the Chinese to the Vietnamese leadership.

The message outlined ways in which the Chinese believed confidence could be established between China and Vietnam, and border tensions reduced.

CSO: 4200/185

# PARLIAMENT FINDS NATIONAL DEFENSE 'INADEQUATE'

Sydney THE AUSTRALIAN in English 12 Oct 84 p 3

[Article by Ross Peake]

[Text]

AUSTRALIA's defence forces may not be able to meet even low-level threats, a parliamentary committee which reviewed Australia's defences has found.

It says the present defence strategy is inadequate because it is based on responding to emergencies once they arise.

A prospective enemy is likely to see Australia's defence forces as "thinly spread and generally ill-prepared" because only a few units are kept in readiness.

The defence sub-committee of the joint committee on foreign affairs and defence, which tabled the report in Parliament yesterday, called for a comprehensive military surveillance and early warning system to be established.

## Prevention

It also called for:

**FINALISING** the mapping and charting of the coastline;

**ESTABLISHING** a ready reaction force of brigade size;

**ESTABLISHING** a vanguard defence force;

**DEVELOPING** better capabilities for collecting strategic intelligence.

The committee does not believe an aircraft carrier is needed but says the RAAF should convert at least one of its VIP Boeing 707s into an in-flight refuelling tanker.

Australia's defence forces must be maintained at a credible state of operational readiness and "must not be vulnerable to a pre-emptive strike by a potential aggressor".

The committee does not identify where the low-level threats might originate but says it might not be wholly possible to protect Australia's "vital interests".

"The committee considers that this provides all the more reason to seek to prevent an invasion of Australia occurring in the first place," the report says.

"Priority should therefore be given to providing strong and effective reaction and vanguard forces."

The chairman of the sub-committee, Mr Manfred Cross (ALP, Qld) told Parliament the committee believed the present approach to an overall military strategy for achieving national defence was inadequate.

"It recommends that we should change the present emphasis of our military strategy from one of reacting to threats as they emerge to controlling our threat environment," he said.

A principal finding of the report is that Australia's military capabilities will increasingly depend on a range of non-military factors and capabilities such as our industrial capacity and our ability to mobilise civilian resources and services.

The report says it would be foolish not to maintain a defence force or to unilaterally disarm.

It finds the most dangerous threat to our national security would arise from war between the United States and the Soviet Union.

The Soviet Union is unlikely to invade Australia, except after a serious deterioration in relations between the two superpowers, but Australia could still be subjected to a range of low-level threats in our region of interest with little or no warning.

Australia should remain in the ANZUS pact but should regard American support as a bonus, and not to be relied upon in all circumstances.

"In the case of both low and intermediate-level threats, Australia should be able to defeat aggression without outside help," it says.

It says the reason the present strategy is inadequate is that it is essentially a reactive one "where the principal focus is on responding to emergencies once they arise".

"Because of the uncertainty associated with future threats to Australia, the force-in-being is structured to defend Australia and its interests against intermediate and high-level threats with only a few force elements being maintained at an advanced degree of readiness to meet low-level contingencies."

LONDON ANALYST FORECASTS HEAVY PRESSURE ON NEW ZEALAND

Sydney THE SYDNEY MORNING HERALD in English 13 Oct 84 p 7

[Article by Andrew Casey]

[Text]

LONDON, Friday: An extremely serious situation is developing in the South Pacific because of the New Zealand Labour Government's decision to dig its heels in on the nuclear ships issue, the director of the London-based International Institute for Strategic Studies claimed yesterday.

Dr Robert O'Neill, the Australian-born director, said the decision of New Zealand's Prime Minister, Mr Lange, not to budge leaves little room for negotiation and puts all the requirements of flexibility on the United States.

"I was prepared to think that after some six months in power the Lange Government would show some flexibility on nuclear ships - but as time comes to pass it seems less likely," Dr O'Neill said.

There might be a lull in activity now over the nuclear ships issue because elections were being held in the United States and Australia but, Dr O'Neill said, afterwards "heavy political pressure will be brought to bear on New Zealand".

Dr O'Neill was speaking after issuing the institute's annual military balance report, which says that because of world-wide budgetary pressures the

annual increase in military spending has slowed down.

"Economic constraints are beginning to bite," he said. "There have been just too many other competing claims for governments to deal with rather than spend more on the military. Among the superpowers there has been no major expansion this year in nuclear weapons programs or deployment."

On New Zealand, he said he did not believe that the US would exert economic pressures.

"New Zealand will have it put to them very forcibly that if they want to have any input into ANZUS they have to give way on this issue.

"Any increased friction in the ANZUS alliance will mean a downgrading of any priority that is given to New Zealand and Australian claims. The most important consequence for New Zealand will be that the Americans will slowly provide less favourable terms on which NZ exports into the USA."

Dr O'Neill said he did not think the Americans could let New Zealand get away with publicly ignoring their wishes. He said that would lead to too many other pressures - from other allies - on the US nuclear policy.

CSO: 4200/185

# GOVERNMENT DELAYS NUCLEAR FUEL FOR PHILIPPINES REACTOR

Melbourne THE AGE in English 11 Oct 84 pp 1, 6

[Article by Michael Richardson]

[Text]

MANILA, 10 October. — A group of scientists in the US have written to President Marcos advising him that a big nuclear power plant in the Philippines that is ready to start test runs is too dangerous to begin operation.

The scientists warned that alleged design defects and fault-prone equipment could lead to a nuclear disaster in which the core of the reactor containing uranium fuel would melt, releasing radioactive material into the environment.

'The Age' also believes that the Australian Government is withholding approval of administrative arrangements that would clear the way for sale of Australian uranium to fuel the plant, South-East Asia's first commercial nuclear power station.

Canberra is delaying, according to one informed source, because of doubts about the safety of the plant and concern that approval of uranium sales to the Philippines before these doubts are resolved could provoke a strong and electorally damaging reaction by the anti-nuclear lobby in Australia, including the Left wing of the ALP.

The source said the delay was over detailed administrative arrangements that would give effect to a bilateral nuclear safeguards agreement signed in 1978 by Australia and the Philippines.

The source said that for a time last year the delay was at the Philippine end. But he added: "We're waiting on Australia at this point."

"I think the Labor Government feels that signing anything nuclear with the Marcos administration now would not be well received within Australia. Until the administrative arrangements are signed, the Philippines can't buy any uranium from Australia."

The letter from the Washington-based Union of Concerned Scientists, which was sent to Mr Marcos last month, urged him to order a public hearing to determine whether the 620-megawatt plant on the Bataan Peninsula, northwest of Manila, was safe enough to start operating.

The plant was designed by the US Westinghouse Corporation and its pressurised water reactor was supplied by Westinghouse.

A copy of the 10-page letter to President Marcos from the Union of Concerned Scientists was obtained today by 'The Age'. It was signed by Dr Robert Pollard, a former reactor engineer and project manager with the US Government's Nuclear Regulatory Commission, which is responsible for licensing nuclear power plants and checking safety features.

The letter, dated 21 September, was followed three days later by a statement of "deep concern" about the Bataan nuclear plant signed by more than 100 Filipino scientists.

Their six-page statement said the scientists believed that "numerous technological, environmental, regulatory and economic issues demand open discussion, clarification and resolution" before the National Power Corporation was granted a licence by the Philippine Atomic Energy Commission to run the plant.

The Filipino scientists said the commission did not have "adequate resources in terms of funds or personnel for its assessment, regulatory and enforcement functions".

They said the commission staff was not up to standards prescribed by the International Atomic Energy Agency. They also questioned whether the commission had the "fullest support of higher Government authorities" in its "difficult responsibility of regulation and enforcement".

The statement, which was signed by one of the commission's senior reactor specialists, said Filipino scientists were worried whether the National Power Corporation had an "adequate pool of competent and experienced manpower to run the plant efficiently and to cope with any emergency that may arise".

It is not known whether President Marcos has replied to or made any decision on the letter from the Union of Concerned Scientists.

But the Philippine Atomic Energy Commission chairman, Mr Manuel Eugenio, assured the Philippine Supreme Court late last month that the National Power Corporation would not be allowed to put uranium fuel into the Bataan reactor or test run the plant until the commission had completed its safety review.



The corporation had hoped to fuel and test run the facility starting in mid-September so that it could begin generating electricity for the commercial grid in January. The issue was brought to court by the Nuclear-Free Philippines Coalition.

But all that has been promised so far by the authorities is that if the commission approves a request by the corporation for an operating licence for the plant and there are any objections, it will hold a special hearing to consider them.

The commission comes under the office of President Marcos. What the critics want is an independent and public hearing to be held into safety and other aspects of the controversial project.

Sister Aida Velasquez, who has a master of science degree in chemistry from the University of Detroit and is a leading figure in the Nuclear-Free Philippines Coalition, describes the Bataan nuclear plant as "the most dangerous white elephant in Philippine history".

Many residents on the Bataan peninsula oppose the project on safety grounds and held a large anti-nuclear demonstration late

last week. The opposition, including the Left and the communists, have also seized on the issue.

Questions have been raised about the cost. The original bill for the project, according to official records, was about \$US1.1 billion when the contract was signed by Mr Marcos in 1976. But that has now risen to more than \$US2 billion and forms a significant part of the country's \$US26 billion foreign debt.

The cost increase was due partly to delays in construction and incorporation of additional safety features. The critics claim that corruption and kickbacks accounted for some of the increase.

Professor Salvador Gonzales, a physicist working at La Salle University in Manila, points out that a Westinghouse nuclear plant in South Korea similar to the one in the Philippines cost about \$US750 million. "Why is ours now \$US2.1 billion? Where did the money go?" he asks.

After a near melt-down in March 1979 in the Pennsylvania Three Mile Island plant, which was similar to the Bataan unit,

President Marcos ordered the suspension of construction and established a commission to review the project.

In its report in November 1979, the review commission concluded that the design of the Bataan plant was unsafe.

It said "It is an old design — plagued with unresolved safety issues like other Westinghouse designs under review by the US Nuclear Regulatory Commission. Thus, it is a potential hazard to the health and safety of the public."

"The Bataan nuclear plant design needs fundamental changes and additional safeguards. It appears that Westinghouse nuclear reactors do not have adequate emergency core-cooling systems," the review commission said.

During last month's Supreme Court hearing, the Government said it had received assurances from Westinghouse that the Philippine unit was as safe as, or safer than, any of the 313 commercial nuclear plants operating around the world.

The Government said it had also taken "all steps necessary" to make sure that this was so.



DEPARTING NZ ENVOY SUPPORTS U.S. ON NUCLEAR BAN

Sydney THE SYDNEY MORNING HERALD in English 13 Oct 84 p 5

[Article by Hugh White]

[Text]

CANBERRA: New Zealand's man in Canberra, Sir Laurie Francis, has no doubts about the importance of America to our region, whatever some of the new Labour men in Wellington may think.

"America is an integral part of this area," he said in Canberra this week.

"I remember the Battle of the Coral Sea ... without the Battle of the Coral Sea you and I would not be here," he said, recalling the US role in defeating a Japanese invasion fleet off North Queensland in May 1942.

The future of New Zealand's alliance with America is under a cloud because of the Labour Government's policy of banning visits by nuclear-powered and nuclear-armed ships.

"I think New Zealand as well as Australia remembers old loyalties and friends in need ... once Britain abandoned everything east of Suez this area had to take a new look at itself."

Sir Laurie returns to Wellington early next year after representing New Zealand here for eight years. As the longest-serving ambassador in Canberra he is the Dean of the Diplomatic Corps. He was a political appointee of the former Muldoon Government, having spent his earlier career as a lawyer and senior National Party official.

Speaking of the man who will replace him, Mr Graham Ansell, Sir Laurie said: "For the first time in some years now, the Prime Minister, David Lange, has said that a career man will come here, not a politician."

"I have no personal opinion on that," he said. But he

went on: "I have always said that so much diplomacy today depends on political clout ... in the end it is the political decision that rules."

On the general quality of relations across the Tasman, Sir Laurie said: "The one thing that I've tried to let Australians quietly know is to cut out the 'Big Brother' stuff, mate. You do not ever get that relationship with New Zealand ... we are *primus inter pares* — first among equals."

"The classic line in Australia-New Zealand relations is from the film *Phar Lap* — 'if it wins today, it's the greatest Australian racehorse ever, but if it loses it's just another bloody nag from New Zealand'," Sir Laurie said.

Although this typified the attitude of Australians, Sir Laurie said: "It's a two-way street ... you take us for granted, so do we take you for granted."

But he believes the relationship is basically very good at the government-to-government level. He quoted with approval the words of former Prime Minister Muldoon: "Our foreign policy is trade." Sir Laurie pointed to the extremely close consultations that take place at both political and official levels on the whole range of economic issues.

Sir Laurie is very pleased with the progress of the Closer Economic Relationship between the ANZAC partners, which came into force at the start of last year. It will eventually lead to completely free trade across the Tasman. He looks forward to further developments, including a joint industry assistance commission and joint marketing of manufactures and tourism abroad.

CSO: 4200/185

OFFICIAL APPEALS TO UN ON NUCLEAR ARMS

Melbourne THE AGE in English 18 Oct 84 p 9

[Article by Peter Cole-Adams]

[Text]

WASHINGTON, 17 Oct. — Australia pleaded for progress towards a comprehensive nuclear test ban treaty in a speech at the United Nations today.

The speech was prepared for delivery to the UN's First Committee, which deals with disarmament. In it the Ambassador for Disarmament, Mr Richard Butler, announced that Australia would again co-sponsor a resolution on the urgent need for such a treaty during the present session of the General Assembly.

He pointed out that last year Australia had sought to translate a similar Australian-sponsored resolution into a mandate for a working group at the international conference on disarmament. It was unable to win a consensus although the mandate was accepted by the Western States at the conference.

"Those who chose to withhold consensus from the Western mandate did so on the stated ground that it did not go far enough because it did not provide for immediate negotiations," he said.

"We deeply regret that decision and frankly fail to understand the logic which allegedly supported it, that is 'If I can't have everything I want now, then I prefer to have nothing'."

Mr Butler said Australia would raise the matter again at the conference on disarmament next year.

"We have complete conviction that what we are seeking here is right, reflects widespread international concern, and is supported by existing provisions of international law," he said.

Mr Butler also questioned the "so-called expert guidance" offered on nuclear issues. "That

so-called guidance often seeks to be reassuring by asserting that everything is under control, that everything will somehow work out in the future," he said. "But there is no such comfort. This, the nuclear reality we face today, is the play not the dress rehearsal."

He said the argument that the world should be content with the present because something worse was conceivable was "relativism out of all perspective".

"The correct perspective is that 50,000 nuclear weapons is vastly too many. Their number must be reduced. The two superpowers must bring about those reductions."

Mr Butler described chemical weapons as "horrible and indiscriminating" and said Australia wanted a comprehensive treaty which would outlaw forever their development, production, stockpiling, storage and use.

He spoke of "the awful prospect that the arms race may extend into outer space" and said this issue "may be the point on which our whole history turns."

The Australian envoy also had some criticism for the First Committee. He said: "There are too many resolutions on the same subject."

Alas, he is right about that. There are also too many speeches. Neither Washington nor Moscow is taking any of them too seriously.

# 'SUPPORT NEW ZEALAND' GROUPS PLANNED BY COALITION

Wellington THE EVENING POST in English 20 Oct 84 p 4

[Text]

The Australian Coalition for Disarmament and Peace is to help set up "Support New Zealand" groups in Australia and the United States.

A spokesman for the Coalition, Dr Jim Falk, said delegates who visited New Zealand this week had been impressed with the degree of public support here for the Government's anti-nuclear stance.

## Navigators

"It's quite clear that the people of New Zealand are pleased and relieved to discover they can navigate their own way in a nuclear world," he said.

"Public opinion has consolidated with government policy to the point where it becomes difficult to see how there could be any weakening of that position over the weeks and months ahead."

New Zealand had become a world leader in the stand against nuclear weapons. Its attitude would do much to encourage peace movements in other countries, he said.

Once back home he intended to tell the Australian press that the New Zealand stance was not a flash-in-the-pan one, and that it was not generated solely at a political level.

The Coalition planned helping peace groups in Australia and the United States set up "support New Zealand" organisations so that this country's independent position would become more widely understood and followed.

Dr Falk was not worried by recent statements by Mr Lange that visits to New Zealand by nuclear-powered warships might be allowed if the vessels could be proved to be safe.

"I believe that was a lawyer's attempt to indicate flexibility while standing firm. Nuclear ships are unsafe. I think that's been understood by the people of New Zealand."

## Letter writing

Ms Janet Powell, a member of the delegation and a state president of the Australian Democrats, said the Coalition would encourage communication between peace groups throughout the Pacific by a campaign of letter writing.

She hoped there would also be increased correspondence in newspapers from peace campaigners so that pro-nuclear attitudes could be countered.

Exchanges of peace activists between New Zealand and Australia were being planned. Details had not yet been firmed up, she said.

CSO: 4200/215

## BRIEFS

**DOLAN WITHDRAWS FROM NZ SUPPORT DELEGATION**--The president of the ACTU, Mr Cliff Dolan, has withdrawn from a delegation due to go to New Zealand tomorrow to pledge support for the Lange Government's ban on visits by nuclear ships. Mr Dolan said last night he withdrew on Thursday for personal reasons. His name heads the list of delegates dated 12 October and released yesterday at a news conference, where organisers did not tell journalists that Mr Dolan had pulled out. The spokesman for the Australian Coalition for Disarmament and Peace, Dr Joe Camilleri, said at the conference that the delegation's long-term aim was to get a ban in Australia on nuclear-powered and nuclear-armed ships. When contacted last night, Mr Camilleri said he did not know of Mr Dolan's withdrawal and he was extremely surprised by it, but the delegation would go on. Mr Dolan said it was too late to organise a replacement ACTU delegate for the trip. A recent meeting in Fiji of the Pacific Trade Union Forum, of which the ACTU is a member, passed a NZ-sponsored resolution that member organisations would support the NZ Government if other countries applied economic sanctions against NZ because of the nuclear ships ban. Mr Dolan said he thought such sanctions unlikely, but if they were applied the forum's resolution was a matter for the ACTU's considerations. [Text] [Melbourne THE AGE in English 13 Oct 84 p 9]

**DOLAN ANTI-ANZUS REMARKS SCORED**--Australian senior Opposition MPs yesterday condemned the president of the Australian Council of Trade Unions, Mr Cliff Dolan, for supporting an end to the Anzus pact. Mr Dolan's outspoken comments in Wellington on Tuesday drew a warning from the Deputy Opposition Leader, Mr John Howard, that the Government if re-elected, would come under greater pressure to follow New Zealand's position on Anzus. Mr Howard said this would pose grave problems for Australia's security. "Mr Dolan is not just any trade union official," he said. "Under the Hawke Government he has been placed at the very heart of Commonwealth Government decision making. "He is more powerful than most ministers." Mr Howard's concern was echoed by the Opposition's Foreign Affairs spokesman, Mr Michael MacKellar. Mr MacKellar said the Government's prices and incomes accord with trade unions was proving to be a weapon against national security and defence. "The ACTU president, Mr Dolan, in calling for the scrapping of Anzus, knows he will not be confronted by the Government because trade union agreement is vital to the accord," Mr MacKellar said. [Text] [Auckland THE NEW ZEALAND HERALD in English 18 Oct 84 p 4]

BALANCE OF POWER--The Australian Labor Party has been returned to power in today's general election. The size of the likely majority in the House of Representatives is still unclear, but the prime minister, Mr Hawke, said he expected it to be about 20. In the previous parliament, Labor's majority in the lower house was 25. The opposition leader, Mr Peacock, said the results of poll had shown the Liberal Party in resurgence. He also expressed confidence that he would continue as leader of the party and would become prime minister in the next general election due to be held in 3 years. There was also voting for 46 seats in the Senate--a Senate being expanded to 76 seats. It is certain that Labor will not gain control of the Senate but that the balance of power will rest with the Australian Democrats who appear likely to increase their representation from 5 to 6. It is also likely that independents will increase from one to two. [Excerpts] [Melbourne Overseas Service in English 1230 GMT 1 Dec 84]

CSO: 4200/239

## COUNTRY DESCRIBED AS 'DARK CLOUD' FOR PNG

Melbourne THE AGE in English 15 Oct 84 p 13

[Article by Peter Ryan]

[Text]

**I**F crime and unemployment join to make one cloud that darkens the sky for PNG, the other blows across the border — from Irian Jaya, Indonesia's half of the New Guinea island.

The flight of the 10,000 Melanians who have fled Indonesia for Papua New Guinea has been widely discussed.

They create a problem of extraordinary difficulty and delicacy for a small State like PNG, although Mr Somare's Foreign Minister, Rabble Namiliu, has shown a quality which must elevate his country in the world's eyes.

It is difficult for outsiders to distinguish the nature and proportions of these black people who have crossed from Irian Jaya.

Some may be village dwellers who have traditional land rights in Papua New Guinea, and whose crossing and recrossing is accepted by both Indonesia and PNG.

Others undoubtedly have fled from Indonesian armed forces in genuine apprehension for their lives.

A third category is said to have crossed over with the object of drawing world attention to the OPM (Free Papua Movement) in Irian Jaya, and deliberately to embarrass Indonesia.

Speaking in PNG on 15 September, Mr John Dowd of the International Commission of Jurists said that he had been surprised at the sophistication and awareness of

many of the people in the refugee camps.

They were, he said, anything but uneducated village people. If they are there for political purposes, they are people of strong principle; life in those camps is no picnic.

Successive scheduled dates for the return of the refugees come and go.

Mr Namaliu says they will not be repatriated without guarantees that the Indonesians — especially the Indonesian army — will treat them properly.

Mr Somare last week said that he himself felt quite confident about the Indonesians behaving themselves.

Indonesian temperaments are sensitive when their own feelings are concerned. They seem, however, not always to find it easy to extend the same sensitiveness to others.

Relations along the border can be described as mildly festering, yet it is hard to find one act or even one word by Papua New Guinea that does not comply with the highest standard of international good manners.

But Indonesia's recent record in the area includes trespass by a war plane, raided gardens and burnt houses in PNG, and two separate cases of roads being built over the border into Papua New Guinea.

It is clear from Mr Somare's statements that — most sensibly — he wants good relations with Indonesia. But he might ask whether

always to turn the other cheek is the way to achieve them.

Unless one believes (and I do not) that the Indonesians are trying deliberately to provoke hostilities, or even ultimately a military take-over of Papua New Guinea, the unpleasant border tensions must rise from Indonesia's internal policies — as of course they do.

It is simply not possible to transplant half a million Javanese and others into the lands of Melanesian gardeners and gatherers without cruel disruption at the outset, with the destruction of a culture soon to follow.

Jakarta has a serious problem with its overpopulated islands; the "empty" lands of Irian Jaya must look like a tempting solution. But in many cases the lands are not empty at all; they are very much part of the livelihood of the indigenous inhabitants.

A worse problem may follow. The Javanese immigrants are being set up on small holdings as peasant proprietors. They are supported by the Government for one year, and then they are on their own. If they fail — all too possible — what then?

Will they simply be re-transplanted back to Java? Improbable.

The potential then for trouble hardly bears thinking about. There is little detailed information on the success of the "transmigrasi" settlements.

Settling a land by people of alien race and culture is generally called "colonisation".



That was what the Indonesians called it when the Dutch did it to them. Only 40 years on from the Indonesians' own anti-colonial revolution, they are now slyly becoming called "the New Dutch". Who is to blame?

Within the past 15 months, the feeling towards Indonesia of ordinary Papua New Guineans has greatly hardened.

Formerly, the attitude in both villages and towns was: "The Indonesians can't possibly have any serious quarrel with us. What have we done? It will all be sorted out, and trouble will go away".

But in recent days — and I never once raised the topic myself — there were angry denunciations and anxious questions about Indonesia.

There is sympathy for the Irian Jayan "one-skins" — people of the same race; there is now fear of Indonesia's intentions. "They are jealous of us", was a frequent comment. "They want our copper and our gold."

Some of this alarm is fostered deliberately by the OPM activists who pop up in the most unexpected places.

They are discouraged, sensibly, by the PNG Government, which wants good relations with its awkward neighbor, if a way can be found.

But mostly the Indonesians have themselves to blame that they have turned neighborhood feeling from good will to wary suspicion.

Often I was asked: "Will Australia stand by us if there is war with Indonesia?"

PNG's own defence forces are exiguous. The Australian military presence there is minute. The prospect of fighting in the borderland terrain — some of the wettest swamps and highest mountains in the world — makes a sensitive mind turn off.

The formal arrangement between PNG and Australia is that they will "consult", in the event of either nation striking trouble. They are, of course, consulting now.

Last month, the new American ambassador to PNG took up his post in Port Moresby. He is Mr

Paul Gardner, a foreign service man of considerable experience.

He knows that America's compulsive anti-colonialism during the post-war period helped create present difficulties.

It was US pressure that finally forced the Dutch out (which had to happen) and replaced them with the Indonesians (which was not inevitable at all).

Indonesia has made it plain that it attaches only limited importance to Australian or PNG views.

United States influence is probably now the only persuasion likely to induce the Indonesians to modify their Irian Jayan policies, and to behave with good manners on the PNG border.

Which brings us to Mr Hayden, Australia's unusually active Foreign Minister, to whom no world issue seems to be too much trouble and no country too far away for a concerned visit.

The PNG-Indonesian border is just "up there", and not likely to go away.

Mr Hayden showed appreciation of the importance of Papua New Guinea when he made Port Moresby his first calling-place upon assuming the Foreign Affairs portfolio.

Since then, it seems to have slipped a little in his scale of priorities. Could he be persuaded that (even if it is not centre stage in the world diplomatic show) it is a vital concern to us, and very near home?

That it is an issue, moreover, where diplomatic hard work on Australia's part might produce tangible results instead of mere gestures?

Twelve months from now, the independent State of Papua New Guinea will be 10 years old.

If Mr Hawke and Mr Hayden would like to offer it a birthday present, a contribution to better relations with Indonesia would be most acceptable in Port Moresby.

Peter Ryan is the director of Melbourne University Press, a frequent contributor to Australian newspapers and the author of four books including the 'Encyclopaedia of Papua and New Guinea'.

MOCHTAR: ISRAEL, PRC REMAIN BARRED FROM COUNTRY

Jakarta KOMPAS in Indonesian 20 Sep 84 p 1

[Text]--Minsiter of Foreign Affairs Mochtar Kusumaatmadja stated that the Indonesian government cannot approve of an international meeting in Indonesia if Israel and the PRC are to attend, considering that the two countries have no diplomatic relations with Indonesia.

"It will be difficult to bring about," he said to the press this afternoon at the Pejambon Foreign Affairs Department following the meeting with the DPP-KNPI [Central Executive Committee--National Indonesian Youth Committee] delegation.

The delegation met the minister of foreign affairs in relation to the upcoming International Youth Seminar, "A Healthy Young Generation," by the World Assembly of Youth in Jakarta from 23 to 28 October 1984. Among others, the delegation consisted of Aulia Rachman, the general chairman; Theo L Sambuaga, the general secretary; Cecep Syarifuddin, chairman and seminar chief coordinator; Hamdani Wiryana. KS, the coordinating representative of the Department of Population and Environment; Ria Rumata, chairman; and Aritonang, member.

To the delegation, Mochtar stated his willingness to help but he still reminded that [such a meeting] will be difficult to bring about if Israel and the PRC are forced to attend.

"We don't even know whether we will have [the meeting] or not," he added.

"It's better if we don't have it," added Theo Sambuaga.

According to Theo, aside from Mochtar, two other ministers, the minister of health and the minister of state for youth and sports, respectively, will also give their remarks connected to their fields. As for the purpose of the seminar, it is to lay a foundation for common understanding between youth, for participation, and for growth and peace.

The attendance at the seminar is expected to include approximately 33 countries from the Asia Pacific region. Until now, according to Aulia, 15 countries have declared their willingness to attend.



## BKPM CHIEF CLARIFIES INVESTMENT MATTERS

Jakarta KOMPAS in Indonesian 19 Sep 84 pp 1, 8

[Text] Jakarta KOMPAS--The chief of the BKPM (Capital Investment Coordination Agency), Ir Suhartoyo, was called to Cendana Street by President Soeharto to clarify the development of investment matters in the country, particularly during the year of 1984.

"The President wished to know what the real situation is," said Suhartoyo to the press following the meeting which lasted about an hour.

It was explained that the requests for capital investment during the first 6 months of 1984 had declined. The same [is true for] requests granted. However, there has been an increase [in requests] for PMDN (National Capital Investment) because among other things, the local investors are starting to comprehend the new tax laws.

Still, in the next 6 months, according to Suhartoyo, there will be an increase, although small in number, particularly for PMDN. As for PMA (Foreign Capital Investment), it cannot be estimated yet.

Although the number of requests has declined, the realization of requests granted will be numerous this year, said the BKPM chief. These will be the requests from 1981, 1982 and 1983, because the realization of a request granted usually takes at least 1 or 2 years, 3 at the most.

## '83 Increase

Ir Suhartoyo explained that the decline of investments in 1984 was caused by the increasing numbers of investments at the end of 1983. This is because investors were trying to catch up before the new tax laws took place. The investments approved last year equaled 10 billion rupiahs. Thus there was a 4 billion rupiah excess.

The 4 billion rupiah excess, said the chief of BKPM, was supposed to be applied to investments in 1984. However, the realizations were sped up in 1983 for businessmen who wanted the chance to get the facilities of the tax holiday being applied last year. Because of the world recession, the investment target in 1984 which was initially planned to be 7 billion rupiahs, was lowered to 6.5 billion rupiahs.

Because the 4 billion rupiah excess [was applied] in 1983, the 1984 plan, which should be 6.5 billion rupiahs, was set at 2.5 billion rupiahs. These numbers, according to Suhartoyo, will be reached in 1984.

#### Foreign Investment

Although PMA cannot be estimated yet, Suhartoyo also said that there might be grants in big numbers, "Because the existing business [climate] is excellent."

As an example, he said that about a month ago the government gave its approval for an investment in pipes for a certain company which totaled more than \$4 million.

Answering a question about the possibility of reestablishing the tax holiday, Suhartoyo said, "It's impossible." But even this has not affected the interest of investors and if there is an effect, it is only because they still seem to be affected by the attraction of the tax holiday.

Although the tax holiday does not exist anymore, according to Suhartoyo, the government will still offer certain other incentives. First, [there are plans for a] lightening of and exemption from import duties of capital goods, raw materials and auxiliary production materials for 2 years.

Second, there [will be an] exemption from stamp duties. Third, value added taxes on the purchase of capital goods will be delayed. "The incentives being offered [by the government] are increasing," said Suhartoyo evaluating these three incentives. In the past, exemption from sales taxes was only for imported goods.

12657

CSO: 4213/31

ILLEGAL LEAFLETS ON TANJUNG PRIOK INCIDENT FOUND IN YOGYA

Surabaya SURABAYA POST in Indonesian 20 Sep 84 p 1

[Text] Military Subarea 072 Commander Col Roni Sikap Sinuraya confirmed that last weekend in Yogyakarta that illegal leaflets were found containing information contrary to the explanation given by TNI [Indonesian National Army] PANGKOPKAMTIB [Chief Commander for the Restoration of Security and Public Order] Gen L. B. Moerdani about the incidents which happened earlier in Jakarta.

Answering a SINAR HARAPAN reporter in Bulaksumur Yogyakarta last Tuesday, he stated further that the leaflets are believed to be from Jakarta.

Col Roni hopes that the people in Yogyakarta will be cautious of possible incitements, and that if they confront matters which could trouble the people, they should report to the security apparatus immediately.

Being questioned, he said that the precaution and the investigation of the situation in KOREM [Military Subarea Command] 072 are being done continuously, although until now there is no sign of danger. "So far, Yogyakarta is still safe and the people sense it," he said.

According to a source from SUARA MERDEKA, the KOREM had confiscated about 500 leaflets. It is suspected that the illegal leaflets were spread in Yogyakarta by using a motor vehicle. According to a large number of Yogyakarta residents who had the chance to read the contents of the leaflets, on the upper-left corner [of the leaflets] there is some writing that says, "The Indonesian Young Generation Forum." The leaflets also mentioned the exact numbers of victims from the Tanjung Priok incident.

Meanwhile, from some collected statements it is said that besides being spread in areas in the city, similar leaflets were also spread on some university campuses.

About the leaflets being spread on the campuses, according to another source, it is said that they were given to students after their classes. The authorities are still trying to find the source of the illegal leaflets.

12654

CSO: 4213/31

## BRIEFS

INFLATION RATE DOWN--The Indonesian inflation rate has been down over the last 8 months, from January to August 1984, compared with the same period in 1983. Last Wednesday the Department of Commerce released numbers which show that the rate of inflation for the first 8 months of 1984 was 7.76 percent, while for the same period in 1983 it was 9.77 percent. The National Consumer Price Index was down to 0.15 percent last August, while in July it increased to 0.37 percent. Thus, according to the data from the Department of Commerce the inflation rate for the first 4 months of the 1984-85 budgetary year, from April to August 1984, was recorded to be 2.46 percent, or lower compared with the estimated number of 5.64 percent for the same period in 1983-84. [Text] [Jakarta MERDEKA in Indonesian 20 Sep 84 p 1] 12657

CSO: 4213/31

## PRIME MINISTER PROMOTES ECONOMIC GROWTH

Kuala Lumpur NEW STRAITS TIMES in English 31 Oct 84 p 1

[Article by Yee Mee Fah]

[Text]

**KUALA LUMPUR, Tues. — The Government is determined to bring about a business climate that is conducive to enterprise, initiative and a willingness to work hard for a better living, Datuk Seri Dr Mahathir Mohamad said today.**

Speaking at the joint annual dinner of the associations of banks and finance institutions, the Prime Minister said his administration was committed to maintaining a stable economic environment for business to flourish and expand.

"I regard this as the underpinning of a robust economy.

"The Budget strategy of tax cuts is but the first phase in our national programme to make our country attractive and competitive financially and to provide incentives for hardwork and the taking of risks.

"The disincentive of high marginal tax rates is a matter of the past. We now provide an environment that offers greater reward for effort, skill, responsibility and risk.

"Over the next two years, with a reduced tax burden, the nation could grow between six and seven per cent annually, with price stability and a reasonably buoyant external sector."

Public sector deficits are being corrected and the balance of payments should improve.

"What is needed now is to place our manufacturing and agricultural industries in a strongly competitive position so that the nation will be ready for the next stage of

export growth in the second half of the 1980s.

"This is where the financial sector can come in to help."

The Government is reviewing its policies within the framework of the preparations for the Fifth Malaysia Plan and beyond to promote growth and trade, increase efficiency, reduce poverty and improve income distribution in line with the objectives of the New Economic Policy.

## Free trade

"Indeed, in addressing the problem of the balance of payments, the key issue facing the nation will be the need to find additional resources for development, primarily from domestic savings and funds which are domestically generated."

Dr Mahathir, in reviewing the world economic scene, said the dilemma of the international economic order was that political ideology in major industrial countries was at divergence with practice.

"Everyone professes to be for free trade, but practises protectionist measures in one form or the other, including voluntary restraint of exports and non-tariff barriers."

Few nations are taking the long view of investing in developing countries because of the international debt crisis and high interest rates in the United States.

He said the combination of these factors could plunge the world into another recession.

"We in Malaysia, therefore, must take cognizance of the world environment and accordingly plan our long-term strategies to overcome the barriers to trade."

## HIGH INVESTMENT INCOME OUTFLOW SEEN

Kuala Lumpur BUSINESS TIMES in English 27 Oct 84 pp 1, 16

[Article by Charles Chan]

[Text]

THE outflow of investment income from Malaysia is expected to reach a whopping \$2.6 billion in 1985 but this is something the government must accept as a consequence of its success in promoting foreign investments, a senior Finance Ministry official said last night.

Taking part in a forum on the 1985 Budget organised by the Malaysian Economic Association, Datuk Ramon Navaratnam, deputy secretary general of the Finance Ministry, said this outflow had been growing steadily from \$1.8 billion in 1981.

He said this growing outflow of funds must be seen in perspective, within the context of the overall economic growth and expansion in exports.

"It is unreasonable to expect investment income outflow to decline, when at the same time foreign investments increase."

"We need the foreign investment, if we are to expand the economy and industrialise with new technology. More foreign equity will reduce the need to further borrow and increase debt servicing. We cannot have it both ways," he added.

Commenting on Malaysia's much talked about debt servicing ratio, Datuk Navaratnam said it was not excessively high by any standards but the government was not complacent about it either.

"What was of major concern was the rate of growth of the national debt, including private sector debt and the debt servicing," he said.

However, the situation was now "well under control," particularly with the major adjustments made to government and Off-Budget Agency (OBA) expenditures.

Referring to the suggestion that Malaysia should borrow more project loans instead of market loans, he said the multilateral financial institutions like the World Bank, Asian Development Bank and the Islamic Bank were in no position to provide the amount of project loans needed by Malaysia.

Only about \$960 million would be raised this year as project loans compared with about \$1,800 million that would be raised from market loans.

"Thus, if we depended on project loans alone for our development pro-

grammes, we would not be able to achieve higher economic growth and distribution," he pointed out.

Commenting on the 1985 budget as a whole, he said some significant developments were:

■ FOR the first time in four years, the overall balance of payments was expected to register a surplus of about \$770 million this year. Similarly, the deficit in the current account was expected to be \$4.9 billion for the whole of 1985 — the lowest since 1978.

■ THE overall deficit of the consolidated public sector, including the OBAs, will be reduced to about \$4.9 billion from \$10.7 billion in 1983.

■ THE federal government's current account was estimated to show a surplus of \$379 million, resulting from new tax changes. Its overall deficit of \$11 billion in 1981 would decline to about \$6.3 billion in 1985.

As for the tax measures proposed, he said they were intended to accelerate growth and enable much more to be done to achieve NEP targets, including better income distribution.

He pointed out that the

Budget had gone to great lengths to provide the environment that would encourage greater entrepreneurship.

But would Malaysian businessmen be able to rise to the challenge of utilising the additional incomes arising from the tax deductions for wider and more innovative and export oriented investment?

"We need more entrepreneurs, business innovators and exporters, to lead the economy out into the open sea of tough international competition."

An important point in the Budget strategy was that the private sector should play its role without too much government help. The private sector should not depend on government spending for their business activities.

"Expanding government expenditure once again at this time would be counter productive as it would amount to a stop-go strategy, which could undermine the gains that we have made in strengthening the economy."

"It would also weaken our economic resilience and capacity to face another bout of recession, possibly next year," he said.



## PRIME MINISTER EXPLAINS BUDGET STRATEGY

Kuala Lumpur BUSINESS TIMES in English 31 Oct 84 p 1

[Article by Khalid Jaafar]

[Text]

THE new Budget strategy of tax cuts is but the first in Malaysia's efforts to make the country attractive and competitive financially as well as to provide incentives for hard work and risk taking.

It should also lessen the demand for higher pay for executives and employees in the higher income bracket as a fair portion of their earnings will now be retained by them, Datuk Seri Dr Mahathir Mohamad said.

In a very tangible way the various tax cuts represented a revision of pay, the Prime Minister said at the joint annual dinner of the Associations of Banks and Finance Companies of Malaysia last night.

The tax cuts also demonstrated the government's determination to bring about a business climate that is conducive to enterprise and initiative, and to the willingness to work hard for a better living, he added.

"The disincentive due to high marginal tax rates is a matter of the past. We now provide an environment that offers

greater reward for effort, skill, responsibility and risk," he added.

With a reduced tax burden, Malaysia's economy could grow between six and seven per cent annually over the next two years with price stability and a reasonably buoyant external sector.

Public sector deficits were being corrected and the balance of payments should improve over time. What was needed now was to place the manufacturing and agricultural industries in a strongly competitive position so that the country would be ready for the next stage of export growth in the second half of the 1980s, said the Prime Minister.

Since the country began to be affected by the international recession over the last four years, he noted that the financial sector had consistently out-performed the rest of the economy.

The sector's value-added rose at an average of 7.3 per cent annually, compared with 6.4 per cent for the country and 6.2 per cent for the manufacturing sector.

On the whole, productivity in the banking sector had improved steadily over the last five years. Nevertheless, much remained to be done to improve financial services, particularly in the rural areas.

Dr Mahathir noted, however, that the productivity of banks had been uneven. In 1982, the domestic banks earned only \$19,000 net profit per employee, compared with \$32,000 for the foreign banks, despite staff costs per employee of the foreign banks being higher by nearly 40 per cent.

Today, the domestic banks dominated the banking scene in sheer size — they account for 74.5 per cent of total deposits mobilised and 67.2 per cent of the bank credit extended. But being big did not necessarily mean most efficient, said the Prime Minister.

He said it was timely for domestic banks in particular to take stock as no financial institution could afford to be complacent in an increasingly competitive environment.

Increasingly, the banks

would be called upon to appraise and finance projects that were clearly unorthodox such as the request to provide equity finance.

For most bankers, this was something new since they had been traditionally trained to believe that domestic banking was all about money transmission and the provision of working capital via the overdraft facility.

"Then, there is venture capital, a new request by entrepreneurs spurred on by the projects of high risks and the burning desire for a 'window on technology'."

In ventures like these, said Dr Mahathir, the financial element should not be over-emphasised. What mattered really in the final analysis was the quality of management.

Bankers would increasingly need to evaluate ventures on the basis of projected cash flow rather than the balance sheet position and banks would need to be more involved in assessing the design of the projects they were asked to finance.

## PRIME MINISTER WARNS RINGGET MANIPULATORS

Kuala Lumpur BUSINESS TIMES in English 31 Oct 84 p 24

[Article by Khalid Jaafar]

[Text]

THE government will mete out suitable punishment to greedy people who contrive to depress the exchange value of the ringgit just to make a fast buck. Prime Minister Datuk Seri Dr Mahathir Mohamad warned last night.

This was because, while fluctuations in the price of the usual commodities had only limited economic effect, the movement in the value of money could affect the total economy of a country.

As such, it was dangerous for the unscrupulous to be allowed to trade in currencies, he said.

Indeed, it is a dangerous trade for we can never be sure that even banks will not be tempted to depress the value of money and raise it again in order to make a 'fast buck', he added.

Dr Mahathir said he strongly suspected that the recent pressure on the ringgit was artificially contrived by people "whose greed had overcome their commitment to ethics."

Dr Mahathir said under the present "anarchic" world monetary system, governments were frequently powerless to determine the value of their own currencies.

Despite reserves being held in different currencies in order to reduce the effect of collapse of any one currency, the

fluctuation continued.

"Money is now just another commodity to be traded as one trades rubber or tin or palm oil. As such, it comes under the machination of speculators," he added.

Under the previous system the exchange rates between the currencies of various countries were fixed. If there was to be a change in the rate of any one currency, it was premeditated and announced.

Although there was some artificiality in that system, by and large it was orderly, the Prime Minister added.

Speaking at the joint annual dinner of financial institutions in Malaysia, the Prime Minister declared: "This government does not believe that devaluation will solve its economic problems. Only high productivity will."

The Prime Minister appealed to banks in Malaysia and abroad which dealt in the ringgit to live up to the trust placed in them and adhere rigidly to good financial ethics.

It the long run, it would pay to do so, he added.

He stressed that in the pursuit of profit, bankers must never lose sight of their basic responsibility as trustees of the financial assets of the community in which they serve.

Public accountability of their behaviour helps

in inculcating this trust, which must be upheld to instill continuing public confidence in the banking system, he added.

The standing of the nation, the value of the ringgit and the confidence of the public in the country and abroad, rested on the competence and integrity of the country's financial agencies.

"Such is the responsibility that you must bear and such is the trust placed on you. You must never, never abuse that trust. If for any reason you abuse it, you do so at your peril," he added.

He said the recent losses suffered on account of the BMF affair demonstrated too clearly that without sound management and effective supervision, serious mistakes could occur.

"The nation cannot afford such losses, nor should we expect to. I would like to reiterate that action will be taken against the wrong-doers. The lesson must be driven home."

Dr Mahathir said managers of financial institutions, just as managers of public and private enterprises, must be totally committed and involved in the affairs of institutions under their charge.

It was for this reason that the government had separated the non-executive chairmen from the chief executive officers in some public enterprises.



## TREASURY OFFICIAL SAYS DEBT SERVICING RATIO ACCEPTABLE

Kuala Lumpur NEW STRAITS TIMES in English 27 Oct 84 p 2

[Text]

KUALA LUMPUR, Fri. — Malaysia's debt servicing ratio is not excessively high by any standards, Datuk R.V. Navaratnam, Deputy Secretary-General of the Treasury said today.

Datuk Navaratnam said this at a Budget panel discussion organised by the Malaysian Economic Association at the University of Malaya.

He said: "What is of major concern is the rate of growth of the national debt, including private sector debt and the debt servicing.

"However, the situation is well under control, with major adjustments made to the Government and especially OBA expenditures."

He pointed out that what was left to be done was to keep the situation under control and so the question of complacency does not arise.

The Deputy Secretary-General added that despite the expenditure restraints, about 37 per cent of the development allocation has been provided for poverty eradication and restructuring objectives in the 1985 Budget.

"The Budget's operating expenditure was allowed to be increased by 13 per cent over the 1984 Budget and only 5.7 per cent over the 1984 revised Budget."

Referring to expenditure, Datuk Navaratnam

said: "The Government has reduced the public sector expenditure from about 36 to 30 per cent of the GNP within three years from 1982 to 1984.

"The deficit in the balance of payments current account has also been reduced from 14 per cent of the GNP to about seven per cent in 1984," he said.

Datuk Navaratnam said that another new challenge the Malaysian economy will have to face was whether the country was going to have enough entrepreneurs.

"With the incentives to the private sector, it is hoped that our businessmen will be able to summon enough entrepreneurial skills to harness the additional savings.

"However, the Budget's strategy reflects the Government's confidence that new investment and reinvestment will benefit the whole economy and not any particular sector."

To a suggestion that import duties could have been further reduced to benefit the lower-income groups, Datuk Navaratnam said: "Almost all imported items consumed by the lower-income groups have been drastically reduced or completely removed over the last few years.

"The only lower-income consumption items taxed significantly are those produced locally and for which there have been strong demands for protection."

## PETRONAS CRUDE OIL PRODUCTION GROWS

Kuala Lumpur NEW STRAITS TIMES in English 30 Oct 84 p 9

[Text]

PETRONAS increased its crude oil production by 27 per cent to 249,000 barrels per day this year despite the world wide economic slowdown and the dormant crude oil market.

The main buyers of Malaysian crude oil this year were Japan (31.5 per cent), Singapore (24 per cent), South Korea (14.6

per cent) and the Philippines (10 per cent.)

Malaysia also sold crude oil to Brazil, Taiwan and Australia, Minister in the Prime Minister's Department Datuk Khalil Yaakub, told the Dewan Rakyat yesterday.

Datuk Khalil said a Petronas subsidiary - Petronas Dagangan Sdn Bhd currently supplied 20 per cent of petroleum-

based products in the country.

"Up till the end of September this year, the company had set up 55 service stations and 20 skid stations. It also established 300 retail outlets."

To a supplementary question by Wan Mohamad Najib bin Wan Mohamed (BN-Pasir Puteh), he said the country did not plan to export refined oil.

"We do not know if there would be a market for refined oil as most countries only buy crude oil."

Malaysia felt that it was only a small oil exporter and as such the refined oil supply at present was only sufficient to meet local demand.

CSO: 4200/183

## PIPED GAS SUPPLY FOR WEST COAST DISCUSSED

Kuala Lumpur NEW STRAITS TIMES in English 30 Oct 84 p 9

[Text]

**PETRONAS** will spend an estimated \$1.7 billion under a project to supply piped gas to power stations and other outlets in the West Coast of Peninsular Malaysia, the Minister in the Prime Minister's Department, Datuk Khalil Yaakub, said yesterday.

He told the Dewan Rakyat that the project was expected to begin by the end of next year and would be completed in 1989.

"Petronas will initially supply piped gas to the main power stations in Port Klang, Port Dickson, Pasir Gudang and Singapore," he said in reply to a question by Encik Hassan Haji Mohamed (Hamim—Rantau Panjang).

Encik Hassan had wanted to know the success achieved by Petronas in widening its marketing service both locally and abroad. He had also wanted to know when natural gas would

be piped to all households in the country.

Datuk Khalil said the project was being carried out under Phase Two of the extended gas usage programme in Peninsular Malaysia.

He said Petronas intends to bear the cost of the project although there would also be a need for foreign loans to fund it.

### First phase

"In view of the austerity measures undertaken by the Government and the current economic trend, the date of completion for the project may be changed if necessary," he said.

The first phase of the extended gas usage programme is a pilot project in Kertih involving 1,447 homes which is expected to be completed by the end of the year.

Datuk Khalil said homes in Bandar Baru Kertih in the Petronas area and in the temporary Petronas housing complex would be supplied with piped gas.

CSO: 4200/183

## BRIEFS

ARMY RESERVE TO EXPAND--The government is carrying out a study on the expansion of the army reserve corps to strengthen the country's defence capability. Deputy Defence Minister Datuk Abang Abu Bakar Mustapha said the expansion programme would be implemented when the study was completed. However, he did not say how long the study would take. He explained that the recruitment exercise for the corps was put in abeyance when the armed forces embarked on its expansion programme after the fall of South Vietnam to the communists in the '70s. He was replying to Haji corps as was being done in China and the Soviet Union. To a question by Encik Mamat Chazalee Abdul Rahman (BN-Ulu Nerus) on whether Singapore's defence policy stress on attack capability posed a potential threat to Malaysia's security, the Deputy Minister said Malaysia did not view the policy as a possible source of danger. To a question from Encik Mohamed Razlan Hamid (BN-Matang) on the second-hand Skyhawk fighter jets bought from the United States, the Deputy Minister said: "Our purpose in buying sophisticated equipment like the Skyhawk is to learn electronic warfare [remainder omitted]. [Text] [Penang THE STAR in English 2 Nov 84 p 4]

CSO: 4200/183

MINISTER ON 'NEW SPIRIT' SINCE CHANGE OF GOVERNMENT

Auckland THE NEW ZEALAND HERALD in English 11 Oct 84 p 5

[Text] The days of New Zealand's being "an imperial farm" for Britain had gone, Parliament was told last night.

The Minister of Overseas Trade and Marketing, Mr Moore, said during the foreign affairs debate: "It's springtime again for New Zealand. There is a new spirit in this country. We have once again become a nation.

"For so long our country has dispirited and negative. We are becoming engrossed with our differences. This Parliament and politics was becoming obsessed with what keeps us apart, rather than what can bring us together. We were a nation that was turning rotten before it was ripe."

Mr Moore said that the "fresh air that has blasted through the Parliament and this country in the last few weeks has been an important factor in lifting the spirits of the New Zealand people."

There was a mood of realism and general hope, he said.

National's policy had been the policy of the cringing dog before its master, he said.

"They have yet to realise that this is a nation. At one stage they wanted to hide under the skirts of Britain but they now seek economic and political security in the pockets of other great nations.

"We are saying New Zealand will be a good friend and a good ally but never a good colony.

Empire

"We seek an alliance of equals, an alliance of friendship, but never unquestioning, and never totally complying, and always acting in the best interests of our people and our region.

"The tired and desperate politics of the past have damaged New Zealand immensely but not terminally.

"We are no longer an imperial farm for Britain, where life was secure under an empire on which the sun never set. Those days have gone."

The Opposition Leader, Sir Robert Muldoon, said Mr Moore's speech, and the speech from Prime Minister Mr Lange, the night before, were full of rhetoric and almost totally lacking in substance.

#### Mandate

"In neither speech was there one word about poverty. There are many people who see poverty as a greater problem for the world today than anything that has been mentioned by either of those two gentlemen."

Referring to the General Agreement on Tariffs and Trade, Sir Robert said it was a good idea to put more political content into Gatt.

It had never been any good for agriculture and needed a new mandate.

New Zealand had the opportunity of doing something in international finance, because, by a coincidence, after November there would be no election in any of the most industrialised countries for two years, he said.

This would overcome the problems that arose when initiatives were proposed, but a key country baulked because it had elections due.

"I believe that the New Zealand Government should continue to be involved in this and take an interest in it."

Mr Ian McLean (Nat-Taswera) said Labour's nuclear policy was confused in its detail, obscure in its goals and increased the risk of nuclear war.

New Zealand would do everything in its power to reduce the risk of nuclear war. "The National Party and all thinking New Zealanders want action which is effective and not just symbolic.

"Labour's nuclear policy is based on the thought that we must do something, anything, whether it's effective or not."

Mrs Anne Fraser (Lab-East Cape) said that making more weapons to make sure the same weapons were not used "is pretty stupid to me."

Nuclear weapons were morally obscene, she said. Nobody should hold others in fear of total annihilation.

#### Indecent

But it was not just fear which would make the Government declare New Zealand a nuclear weapons-free zone, she said. A more dominating motive was morality. "The build-up of nuclear weapons is one of the most indecent and immoral projects the human race has ever undertaken. "It wastes the nations' scarce resources and enables a few powerful nations to hold the rest of the world at ransom."

DEVALUATION, FUEL PRICE INCREASE PROMPT 7 PERCENT INFLATION

Auckland THE NEW ZEALAND HERALD in English 11 Oct 84 p 1

[Text] Inflation has begun to soar again in the wake of devaluation and the petrol price increase, rising during the past three months by 7 per cent on an annual basis.

And the Minister of Trade and Industry, Mr Caygill, served notice last night that prices were likely to continue rising during the next few months as the wage and price freeze was lifted.

The increase led to Opposition criticism of "run-away inflation" and predictions that the country was heading again towards double-digit inflation.

However, Government spokesmen said the increases were hardly surprising, and resulted from what they described as essential moves such as the devaluation immediately after the July snap election.

Transport

The consumer price index, as measured by the Statistics Department, increased by 3 per cent during the September quarter, taking the annual increase to 7 per cent.

This compares with an increase of 4.7 per cent during the 12 months to the end of the June quarter this year.

The 3 per cent rise for the September quarter follows successive increases of only 0.9 per cent, 0.7 per cent and 2.2 per cent for the December, March and June quarters, respectively.

Most of the increases during the past quarter came from higher transport costs, food costs and housing costs.

Compensated

Among the items which increased most during the three months were bread, petrol, new cars, hire-purchase charges on vehicles, annual vehicle relicensing, home mortgage interest rates, rentals, house construction, timber costs, and the cost of beer and spirits.



The Leader of the Opposition, Sir Robert Muldoon, said the September quarter increase of 3 per cent was double-figure inflation on an annual basis, and the Government still had a price freeze in place.

"It is a direct result of the disastrous devaluation of the New Zealand dollar, and, when the freeze comes off, prices will rise even more rapidly," he said.

Treasury advice to the Government would be that these increases must not be compensated for in wages.

"But the Federation of Labour will have none of that," said Sir Robert.

As predicted, the devaluation had lead to runaway inflation.

Sir Robert also criticized the release time of the figures, suggesting they had been held back because of Tuesday's meeting of the Joint Council of Labour.

The Leader of the Social Credit party, Mr Bruce Beetham, said the Government could in no way excuse the rapid rise as being a result of devaluation.

#### Analysis

"The rise is rather one of the consequences of devaluation that the Government should have thought of before it devalued," he said.

"Devaluation was its decision and the consequences rest with it also."

Mr Beetham said a detailed analysis confirmed also that a further large part of the increase was a direct consequence of Government decisions to increase the price of petrol and to allow interest rates to run riot.

But Mr Caygill said the increase in the consumers price index was not unexpected.

"It was anticipated that both the devaluation and price increases notified before the freeze was reimposed would result in higher-than-normal increases for one or two quarters," he said.

But increases in transport related products had contributed just under half of the quarter's increase.

He said the figures did not necessarily mean there would be double-digit inflation, as predicted by the Opposition.

"The accuracy of that depends on the assumption, which I would dispute, that we will have four quarters of further 3 per cent increases," said Mr Caygill.

"There will probably be some impact from the lifting of the price freeze after the budget, but the devaluation is substantially worked through now and that is a oncer.



Mr Caygill said he could not say the next quarter would not be higher still, but once the next two quarters were past there should be some decline in the figures.

"We need to understand what happens when you have a substantially overvalued exchange rate: when you are forced by an outflow of foreign currency reserves to adjust that exchange rate. The result is that import costs will rise and in particular the cost of fuel will rise," he said.

The Minister in charge of the Statistics Department, Mr Tizard, said it was absolute rubbish to suggest there had been a delay in the release of the figures.

Consumer Price Rises  
(Annual Rate)

	<u>Latest 3 months*</u>	<u>Latest year</u>
W Germany	0.9	1.7
Japan	0.1	2.6
Holland	0.6	2.8
Switzerland	0.7	2.9
Canada	4.0	3.7
Australia	0.9	3.9
US	4.2	4.2
Britain	4.8	5.0
Belgium	4.8	5.8
N ZEALAND	3.2	7.0
France	6.7	7.4
Sweden	4.3	7.8
Italy	6.2	10.4

\*Average of latest three months compared with average of previous three months, at annual rate.

Statistics for New Zealand are for periods ended September; for Japan, ended July; for Australia, ended May; for all others, ended August.

CSO: 4200/184

## TRADE CONTACTS TO BE RESTORED WITH ARGENTINA

Auckland THE NEW ZEALAND HERALD in English 11 Oct 84 p 26

[Text] Trade contacts between New Zealand and Argentina will be resumed next month for the first time since the Falklands crisis two years ago.

The Prime Minister, Mr Lange, has already announced that diplomatic relations will be restored, and the Argentine airline Aerolineas Argentinas will begin fortnightly flights between Auckland and Buenos Aires from November 20.

And yesterday the Argentine Chamber of Commerce invited the Auckland Regional Chamber of Commerce to trade discussions in Buenos Aires on November 16.

### Poor Shape

The Auckland chamber's international director, Mr Michael Barnett, will go to Argentina for the talks after leading a New Zealand group at South America's biggest trade fair in Santiago, Chile, from October 31 to November 11.

But Mr Chris Caro, whose company Primary Exports NZ Ltd trades mainly with South America, said exporters "should not hold their breath."

"Economically, Argentina is in very poor shape, and very little trade is possible," he said.

### Major Problem

"One of my friends there says they will come right, but it will take a year or so. At the moment, they are not buying anything except the odd shipment of cattle."

Although an Australian trade mission will also be in Argentina next month, Mr Caro said a major problem for both countries was the lack of direct shipping links.

### Rugby Teams

"What could make a vast difference is if the Australians get behind shipping over there," he said.

But he added that the resumption of the air link would also make a bit of a difference.

Aerolíneas Argentinas has already received inquiries from farmers wanting to attend a conference of Corriedale sheep breeders in Argentina and from rugby teams.

But most of its passengers from Auckland have traditionally come from people of Argentine or Italian origin in Australia.

CSO: 4200/184

## GOVERNMENT EXPECTED TO DENOUNCE KHMER ROUGE

Wellington THE EVENING POST in English 11 Oct 84 p 7

[Article by Bruce Kohn]

[Text]

The Government is expected to make a strong criticism soon of the Khmer Rouge element of the Kampuchean resistance coalition.

Effectively, the criticism will be intended to emphasise that the Government does not recognise the claim of the Khmer Rouge to be the legitimate administration of Kampuchea.

But according to Government sources the denunciation will not reflect any change in New Zealand's voting policy on Kampuchean issues at the United Nations.

New Zealand is expected to vote at the UN in favour of a resolution calling for a withdrawal of Vietnamese troops from the war-weary nation. It is also expected to vote in favour of the resistance coalition holding the Kampuchean seat at the UN should this be put to a vote.

Adherence to the stance of UN voting support for the Kampuchean coalition, in line with requests made by the Association of South-East Asian Nations (Asean) grouping and China, is considered by diplomatic analysts as certain to calm Asian worries about the likely shape of the Government's foreign policy.

It also means that the New Zealand Government will not be automatically falling into line with Australian policy. Australia will vote in support of the call for a withdrawal of Vietnamese troops but will abstain on the issue of Kampuchean representation, if a vote is called.

The leftist thrust of foreign-policy remits at the Labour Party annual conference sent shivers through the minds of a number of Asian governments. Any realignment of New Zealand's Kampuchean policy would, in the view of Asean

diplomats, be construed in Hanoi as an indication that the international coalition arraigned against its occupation of Kampuchea was weakening.

China, too, is sensitive to switches in policy on the Kampuchean issue.

In recent weeks it has been subject to nudging by some members of the Asean group (Singapore, Malaysia, Indonesia, the Philippines, Thailand and Brunei) to increase its aid to the non-Khmer Rouge element of the resistance. Factions making up the coalition, along with the Khmer Rouge, are headed by Prince Norodom Sihanouk and Son Sann.

The Khmer Rouge maintains a guerrilla movement of about 30,000 inside Kampuchea while the forces of Prince Sihanouk and Son Sann are estimated to total about 13,000.

Chinese support for the Khmer Rouge has focused

heavily on the fact that until about 12 months ago there appeared no viable alternative resistance to the Vietnamese occupation.

Now, however, the Sihanouk and Son Sann forces are steadily increasing in numbers, their ranks swelled by refugees continuing to flee Vietnamese-controlled areas in Kampuchea. Asean nations and their Western allies would like to see them grow to the point where the Khmer Rouge become an insignificant factor in the make-up of the resistance coalition.

As one of its last acts before leaving office the Muldoon administration granted \$15,000 in civil aid to the non-Khmer Rouge groupings of the resistance.

The aid was distributed through UN aid agencies and monitored by New Zealand Embassy officials in Bangkok to ensure it did not reach the Khmer Rouge.

LANGE VISITS EXERCISE SITE, FAVORS ALLIANCE

Auckland THE NEW ZEALAND HERALD in English 11 Oct 84 p 26

[Article by Mike Munro]

[Text] Looking a decidedly rustic figure in gumboots and overcoat, the Prime Minister, Mr Lange, dropped in yesterday on a battle playground in the central North Island high country.

It was day two of the land phase of the Triad defence exercise, which winds up on Sunday.

About 1500 soldiers from New Zealand, Australia and the United States are conducting a mock battle across a broad area of mainly barren, wind-buffed terrain between Lake Taupo and Hunterville.

Their chief aim is to polish up on command, control and communication procedures.

It is a "war" without weapons. One officer said the loudest noises around Waiouru, the centre of the simulated battle-field, were the messages crackling out of the two-way radios.

Mr Lange picked up the weapon-free scenario after looking over the control headquarters for the exercise.

"I imagine that most people would expect to see something erupt, something go bang, something happen, but none of that has happened," he said.

Debate

With the debate over his Government's nuclear ships' ban and the future of the Anzus alliance delicately poised, there was a special significance about Mr Lange's visit to the frontline of this Anzus exercise.

Asked by a reporter why he was making the visit, he replied: "Because the exercise was being held here."

But, that light quip aside, the Prime Minister explained that he considered it logical for New Zealand to be part of a military alliance.

There were tactical decisions being made at the exercise involving equipment which New Zealand did not have, he said.

So the issue became more an opportunity for the military forces from different countries to work together.

Logic

"It also establishes, in my view, that if you are going to commit yourself to a defense posture, which New Zealand has declared it will, then this demonstrates clearly that we cannot, from our money and population base, have the equipment, the manpower or the expertise to engage in defensive actions, which the logic of our country and its environs dictate," he said.

"Therefore, the logic is that you have a form of military alliance."

Mr Lange described the exercise as very professional and "rather intellectual."

An RNZAF Andover took Mr Lange from Wellington to Waiouru yesterday morning and, after inspecting a guard of honour at the main camp, he was whisked by RNZAF Iroquois to the No 4 (Anzus) Division headquarters a few kilometers away.

He was accompanied by the Chief of Defence Staff, Air Marshal Ewan Jamison, the Chief of General Staff, Major-General Robin Williams, and the Secretary of Defence, Mr Denis McLean.

Back at the exercise headquarters in Waiouru, Mr Lange pored over a large map-board--estimated to be big enough to fill three living rooms--in the white room, the neutral base.

The exercise scenario has the North Island government seeking military assistance from its Anzus allies after being invaded by the "Musorians."

Four computers held exercise planners to decide their manoeuvres.

CSO: 4200/184

DEFENSE MINISTER RETHINKS NUCLEAR-FREE ZONE IDEA

Wellington THE EVENING POST in English 12 Oct 84 p 7

[Article by Peter O'Hara]

[Text]

DUBLIN, Oct 11. — Minister of Defence, Mr O'Flynn, tonight cast some doubt over the Government's backing for a formal South Pacific nuclear-weapons-free zone treaty.

He said talks with the Danish Foreign Minister, Mr U Ellemann-Jensen, had posed questions about having formal zones rather than relying on general principles.

"I'm raising the question of whether it is a good idea or whether it is better to stick with the de facto situation we've got," Mr O'Flynn told the NZPA.

"It's clearly a matter that requires the closest thought . . . It will have to be thought about very carefully."

This year's South Pacific forum decided a zone proposal should be put to the 1985 meeting. The new Government shifted stance from the Muldoon Administration when it firmly backed the move.

He said the important message he had taken from his meeting with Mr Ellemann-Jensen was that "he was not a great en-

thusiast for formal nuclear-weapons-free treaties."

Finland, Norway, Sweden, Denmark and Iceland do not have or want nuclear weapons and their policy is that they should not be on their soil, at least in peacetime, he said.

The Danish foreign minister pointed out though that Soviet submarines and surface vessels regularly pass through Danish waters.

He also said Danish territory came within the range of Soviet SS-20 missiles on Russian territory and it was therefore pointless to try to get agreement from nuclear weapon states to keep away from the area.

"He says there is no chance of getting any guarantees from the nuclear powers that they would have any respect for any such nuclear-weapons-free zone."

"He left me with the general impression they were better off with the fact that no country in that area other than the Soviet Union had any weapons or wished to have any."

"If you tried to have a zone treaty you would get into insoluble difficulties about monitoring, verification, everything else."



## QUEENSLAND PREMIER 'SERIOUS' ABOUT NUCLEAR BAN RETALIATION

### Lange Criticized

Wellington THE EVENING POST in English 12 Oct 84 p 3

[Text]

**PALMERSTON NORTH, Today (PA).** — Queensland premier Sir Joh Bjelke Petersen said he was serious about retaliatory action against New Zealand exports because of the Government's anti-nuclear stance.

Sir Joh said in a telephone interview from Brisbane yesterday he would make it "impossible" for New Zealand goods to compete on the Queensland market if New Zealand banned United States nuclear warships.

It was "absolutely disgraceful" that New Zealand Prime Minister Mr David Lange should at-

tempt to wreck the Anzus treaty, Sir Joh said.

"We ought to be exceedingly grateful to the United States that we have the agreement and we should not be dictating to them what they can and can't do.

"We live in a hard, cold world that only knows one language and that is strength.

"To attempt to play around, like your Prime Minister has, is just not acceptable," he said.

It was just not on, Sir Joh said, for Mr Lange to say New Zealand would have the United States as a partner under its conditions.

He said it was the same attitude as "yankee go home," but Australia wanted the United States to stay even if New Zealand didn't.

Earlier this week, Mr

Lange had said he was unconcerned, because Sir Joh had no power to impose embargoes.

"I'm not talking about embargoes," Sir Joh said. "He doesn't know what he's talking about."

Sir Joh said he was also unimpressed by Overseas Trade and Marketing Minister Mr Mike Moore's response that Queensland business and tourism interests would suffer most by any Queensland retaliation.

Mr Moore had said Queensland exported \$A168 million worth of goods here and in turn imported \$A88 million worth from New Zealand.

"I'm not interested in the figures at all," said Sir Joh.

"All I'm interested in is his Government acting sensibly."

Sir Joh said he was only trying to draw attention to a very serious situation and the "very foolish action of your Prime Minister.

"Even though he is a big man, he is little fry in the big pool of world affairs," he said.

"He's made a fool of New Zealand and made a fool of himself and he's tried to wreck our treaty."

## Smelter Could Lose

Auckland THE NEW ZEALAND HERALD in English 11 Oct 84 p 4

[Text]

### Owners of the Comalco aluminium smelter at Bluff could face a "horrendous" loss if a threatened ban on trade between New Zealand and Queensland eventuates.

The Australian-owned Comalco would be caught not by the ban on New Zealand products proposed by the Queensland Premier, Sir Joh Bjelke-Petersen, but by a retaliatory ban by New Zealand against Queensland products.

Such retaliation was implied in a statement by the New Zealand Minister of Overseas Trade, Mr Moore, that the Queensland ban would be "cutting off their nose to spite their face."

Sir Joh said he would impose the ban if New Zealand went ahead with its ban on American nuclear-armed warships.

Mr Moore said yesterday that Australian interests would suffer most in any such trade war, because New Zealand imports from Queensland totalled \$251 million in 1983-84, more

than double its exports to Queensland of \$117 million.

When it was pointed out that Australian interests would suffer only if New Zealand retaliated, Mr Moore said he did not believe the dispute would actually get that far.

"He (Sir Joh) cannot do it. He has not got the constitutional power to do it," Mr Moore said.

"But if he did it, we would have to look afresh at it."

About \$200 million out of New Zealand's total imports from Queensland is accounted for by alumina imported by Comalco for the Bluff smelter.

The general manager of New Zealand Aluminium Smelters, Mr Brian Midgley, said last night that any disruption of that trade would be "unthinkable."

If the smelter were forced to shut, it would take 15 months and a "horrendous" cost of many millions of dollars to rebuild the plant's 612 smelting pots.

"We would be left with a workforce of 1500 with virtually nothing for them to do until we had meticulously reconstructed everything," Mr Midgley said.

The company would make every effort to obtain

alumina from elsewhere but this would be difficult, and perhaps impossible, to arrange.

The other major product imported from Queensland is sugar, costing about \$30 million a year and accounting for 40 per cent of the raw material for the Chelsea sugar refinery in Auckland.

The marketing manager for New Zealand Sugar, a subsidiary of the Australian company CSR, said it would be easy to obtain sugar from alternative sources in Fiji, Asia and elsewhere.

The Tasman Pulp and Paper Company, whose pulp and newsprint constitute New Zealand's major exports to Queensland, declined to comment on the matter.

Other companies trading with Queensland said they were concerned about the threatened trade ban but believed it could be circumvented by landing New Zealand goods in Sydney instead of in Queensland.

"I cannot see border guards stopping every train and truck in Coolangatta to check for New Zealand goods," one major exporter said.

But others were con-

cerned that shipping everything through Sydney would cost more.

New Zealand exports to Queensland increased 48.8 per cent in 1983-84, increasing this country's share of Queensland's total imports from 3 to 4.25 per cent.

Queensland's exports to New Zealand increased 57.2 per cent in the same year.

CSO: 4200/184

## BRIEFS

GOVERNMENT AVOIDS CRITICISM OF REMARKS--The Government avoided a direct criticism of remarks against Anzus made by the president of the Federation of Labour, Mr Jim Knox, in Fiji recently when it was put on the spot by the National Party in the House yesterday. The Hon George Gair (National-North Shore) put down a question to the Minister of Foreign Affairs, Mr Lange, asking whether Mr Lange had advance knowledge of the FOL president's comments and whether any action would be taken to distance the Government from them. Replying for Mr Lange, the Deputy Prime Minister, Mr Palmer, said: "Helpful though it may be the president of the Federation of Labour is not in the habit of clearing his speeches with the Prime Minister." Mr Gair asked again whether the Government disassociated itself from the statements. Mr Palmer said: "It is not the policy of the New Zealand Government to withdraw from Anzus. Our policy is anti-nuclear, not anti-alliance." [Text] [Auckland THE NEW ZEALAND HERALD in English 11 Oct 84 p 5]

CSO: 4200/184

MALAYA EDITORIAL ON MARCOS SUCCESSION

HK031048 Quezon City ANG PAHAYAGANG MALAYA in English 29 Nov 84 p 4

[Editorial: "Should President Marcos Die"]

[Text] The nation is greatly relieved that President Marcos is alive and well enough to have signed the 1985 General Appropriations Act last Monday.

However, there is still considerable apprehension over the state of his health. The public thinking is that he is not yet past the danger line and that anything may still happen in the next few weeks or months.

What has happened in the 12-day period that Mr Marcos disappeared from public sight is that people have become aware of the fact that he is not as healthy as has been claimed all the time by the Malcanang press office, and that like anyone else, he is prone to get sick and, therefore, liable to pass away like any mortal being.

People have also become aware of the need to set up a mechanism under which the office of the President would be temporarily transferred to the Speaker of the Batasan should Mr Marcos die, as well as the setting up of the procedure under which a special presidential election would have to be conducted.

If Mr Marcos is well enough to devote time and effort to thinking how these two issues could be met in the most orderly manner, then he will be doing a great service to the nation.

For even if the constitutional amendment approved last January provides that the Speaker becomes acting President should Mr Marcos die or is incapacitated, there is still a need for a law to outline the procedure to be followed in both instances.

While the National Assembly can take up such a matter on its own discretion, it would be much better if President Marcos will initiate the move.

The enactment of such a law would clear up all doubts and uncertainties about the subject of transition and prevent any danger of a military takeover should the President die.

CSO: 4200/238

REPORT ON DRIVE TO TIGHTEN MONEY SUPPLY

HK031444 Manila BUSINESS DAY in English 3 Dec 84 p 2

[Article by reporter Rigoberto D. Tiglao]

[Text] The drive of monetary authorities during most of the year to tighten money supply may have leveled off, at least for the moment. The Central Bank for the first time in many months appears to be slightly loosening up on its monetary policy.

The Central Bank last week shaved half a percentage point off the interest rates on Treasury and CB bills, which have been its major tools in siphoning off funds from the banks and the public. Rates on its overnight reverse repurchase—a major source of banks' daily funding—was also reduced by seven percentage points. CB data also indicate that a week before, the total currency released by the CB has started to move to about P30.5 billion, from the P30-billion level the CB has maintained for several months.

It could not be ascertained during the weekend whether the Monetary Board, the CB's policy-making body, had actually decided on at least loosening up on its tight monetary policy, but BUSINESS DAY sources in the CB offered several explanations for the recent cuts in the interest rates on CB and Treasury bills. They cautioned, however, that a trend reflecting an actual CB policy of loosening up on money supply has not been established.

The sources said one reason for the CB to ease its money policy is that monetary authorities believe the inflation rate has leveled off or even gone down from the 63.8 percent reported for October. Prime Minister Cesar Virata and officials of the National Economic and Development Authority recently said the November rate would be lower than October's. A slight loosening up of monetary policy would be then monetary authorities' local move. Virata recently said interest rates would go down together with the inflation rate.

The sources noted that the CB's hold on the money supply has been tighter than projected probably because of the government's desire to convince the International Monetary Fund that it is willing to adopt the economic measures the IMF wants. Approval of an IMF credit facility will be a signal to international creditors that the economy is in good shape.

CB currency releases—referred to as reserve money--as of 21 November stood at only P30.6 billion, way below the P31.9-billion ceiling for the year the IMF has imposed. On the other hand, total liquidity—cash in circulation deposited with banks—for September stood at P108.3 billion, P16 billion below the IMF-prescribed liquidity ceiling of P124.3 billion this year.

However, some bankers say the CB is still on its drive to almost restrict the money supply. They say the recent statistics merely indicate the CB's difficulties in dampening money supply, which historically surges during the Christmas season.

IMF estimates also indicate that, historically, reserve money increases 13 percent during the last quarter of the year, mainly because of expenditures by both the private sector and the government related to the Christmas holidays.

BUSINESS DAY calculations indicate that if that historical 13 percent growth rate of reserve money is not broken this year, reserve money would expand from P28.67 billion at the end of September to P32.4 billion by end-December. That would exceed the P31.9 billion ceiling the IMF has imposed.

What appears as a critical factor that would allow the government to comply with the ceilings set by the IMF is the stability of the country's banks. One of the major factors that had expanded the money supply, next to the government's large borrowings from the CB early in the year, was the CB's massive financial support to banks. That aid amounted to P15 billion as of the end of the first semester. One banker said that kind of situation the CB can hardly escape. "Even a medium-sized commercial bank going under at this time would be enough to wreak havoc on the (economic stabilization) program," he noted.

CSO: 4200/238

EDITORIAL ON COMPLAINTS AGAINST MILITARY

HK031435 Manila BULLETIN TODAY in English 3 Dec 84 p 6

[Editorial: "The Military and Local Issues"]

[Text] Probably, there would be fewer complaints against military personnel if they did not take sides in local issues cropping up within their jurisdictions.

If the military personnel should perform their duties in a nonpartisan manner, they would be respected by the common people. But they would be distrusted and trouble would begin the moment they took sides.

However, the military are not to blame at all times. It would be appropriate if the officers in the field who would act impartially were supported by higher authorities. This would be appropriate because the military commanders are vulnerable to pressure from local politicians who may wield considerable influence.

There would also be fewer complaints against military personnel if they were to be prohibited from engaging in business on the side as they carry out their assignments.

From time to time reports of scandals involving military personnel crop up. They involve smuggling and illegal logging, for example. It is recalled that some time ago some people in Palawan complained that soldiers would confiscate dynamited fish, only to sell the fish in the local markets.

Such acts do contribute to the deterioration of peace and order conditions in the rural areas.

Evidently, there are many things going on in the provinces that Camp Aguinaldo or Malacanang does not know. It is a pity because there are military officers and men who stick to the code of honor despite their poverty.

CSO: 4200/238



PHILIPPINE EXPORTERS UNABLE TO OPEN LETTERS OF CREDIT

HK031445 Manila METRO MANILA TIMES in English 3 Dec 84 p 12

[Article by Corrie Salientes]

[Text] Local manufacturers and exporters are still unable to open import letters of credit (L/cs) despite the availability of dollars because foreign banks refuse to extend credit lines.

Businessmen interviewed in the recent Confederation of Philippine Exporters' (COPE) meeting said the foreign banks refused to renew trade lines with local banks until the government wraps up the financial deal with the International Monetary Fund (IMF).

The "cautious stance" of the foreign banks seems to show the "sour credit rating" of the country after it failed to pay its maturing foreign debts, COPE sources said. These debts are now on their fifth moratorium.

Inability to open l/Cs means that local firms are not able to procure imported raw materials, thus adversely affecting manufacturing and export operations.

In the same meeting, COPE President Antonio Amor reiterated the export sector's proposal to designate the Ministry of Trade and Industry (MTI) as the sole institution responsible for export planning, promotion, and development.

He said under the present system, a number of government agencies were involved in export matters. "There is no clear delineation of functions among the various bodies, resulting in overlapping of responsibilities, delays, and inefficiency," he said.

The MTI, ~~AMOR~~ said, should study the feasibility of setting up industry export clearinghouses to receive, evaluate, and process all documents and cargoes relating to the industry.

He also proposed that bank loans for export packing credits, which are subject to Central Bank rediscounting, be considered outside of the authorized agent bank's ceilings.

Through this, Amor explained, exporters will be able to reduce interest on loans expenditures.

"Any interest rate above 6 percent is too high for us," Amor said.

He said consideration should be given to pegging interest rates closer to or competitive with those being enjoyed by exporters from other countries.

CSO: 4200/238

MANILA EDITORIAL ASSESSES MILITARY 'MISBEHAVIOR'

HK041345 Manila METRO MANILA TIMES in English 4 Dec 84 p 4

[Editorial: "More Military Misbehavior"]

[Text] There are two ways of looking at the apparent proliferation of stories appearing in media about the shenanigans committed by military personnel.

Apparently, the Armed Forces of the Philippines is getting a beating in the media, what with the numerous stories about the mayhem that military men commit. It would seem that the drive of AFP authorities to rid their ranks of the "scalawags and bad apples" has come to naught, or is at best ineffective.

Not a day passes that no soldiers harmed civilians or engaged in a shootout among themselves. It would seem that the situation is going from bad to worse.

But on the other hand, this situation may reflect, not that more and more soldiers are committing crimes, but that more and more of them are caught. Far from being a manifestation of a deterioration of the situation, these numerous news reports of military hanky-panky shows that something is being done and that the AFP top command no longer exerts influence on the media to clamp down on reports like these.

Time was when a call from a top-ranking (sometimes not even so top-ranking) officer would cause the deletion of a news report about soldier misdeeds from the front page. In other words, during those days when the newspapers carried no stories of military men's misdoings, it did not mean that no such things were taking place. It only meant that such things were left unpublished.

There is something in the thesis that the situation may have actually aggravated undiscipline and criminality in the ranks, for despite the innumerable cases then happening, none were brought to public attention, and presumably the perpetrators were also left unpunished.

Today, the situation is different. With the newspapers freely printing the abuses that military men commit, their officers are under pressure to do something about the misdeeds. This is why we also read oftener today about the punishment meted out upon those soldiers found guilty of misbehavior.

There is also another notable difference. Today, we read oftener of misbehaving officers. There was a time when this was not possible. Either all the officers were immaculately clean or somebody was keeping their misbehavior away from the papers.

The hardest thing in the world is to ensure proper conduct at all times for men who have been trained to fight and who precisely paid by the government for that purpose.

It is a big order but the job belongs both to the general public and the top officers of the military establishment to understand each other on this point-- that they need one another and that they were not meant to be enemies.

It should be dinned into the minds of the military that their primary job is to protect and not to harass the people. The people should in turn try to understand that their soldiers are also under stress and sometimes cannot tell who the enemy is.

CSO: 4200/238

DEATH SENTENCE ON MEMBERS OF LIGHT-A-FIRE GROUP NOTED

OW042105 Quezon City RPN Television Network in English 1100 GMT 4 Dec 84

[From the "Newswatch" program]

[Text] Eleven persons, including four ranking members of the so-called Light-A-Fire Movement, were sentenced to death today by a military court. The 11, including Eduardo Olaguer, were earlier accused of taking part in the burning of hotels and business firms in Metro Manila in 1979. David Nye reports.

[Begin Nye recording] Convicted were Eduardo Olaguer, (Alfonel) Jimenez, Reynaldo Maslang, (Ester) Misa Jimenez. Also convicted in absentia were Steve Psinankis, Gaston Ortigas, Romeo Velasquez, Efren Ferriols, Rene Valera, a certain Freddy, and a John Doe. All of them are believed residing or living in the United States. Acquitted were (Jere Marsiano) and (Mac Aserson). [Video shows court scenes]

Heard by Colonel (Egino) Dacanay the Military Commission presented seven charges:

1. Unlawful possession of explosives and other incendiary devices;
2. Conspiracy to assassinate President Marcos and the First Lady Imelda Ramualdos Marcos through use of explosives;
3. Conspiracy to assassinate Defense Minister Juan Ponce Enrile, former Press Minister Francisco Tatad and former Industry Minister (Vincente Paterno) through use of explosives;
4. Attempted assassination of former Agriculture Minister Arturo Tanco, Local Government Minister Jose Rono and former Education Minister Onofre Corpuz through the use of explosives;
5. Attempted murder of Johnny Perez and (Diodoro Valencia) of daily EXPRESS, former AFP [Armed Forces of the Philippines] Chief of Staff General Romeo Espino and General Fabian Ver through the use of deadly weapons and explosives;
6. Conspiracy and proposal to commit and inciting to rebellion; and

7. Arson of government and other public buildings that resulted in the burning down of (Rustan's Cubao), Sulu Hotel in Quezon City, Holiday Inn Hotel, Philippine Village Hotel, Harrison Cinema and Plaza, Philippine Floating Casino in Manila Bay, the Commission on Elections Building, the Bureau of Internal Revenue building, Government Center in Quezon City, and the UP [University of Philippines] Grandstand in Diliman.

The Light-A-Fire Movement reached its peak in 1979 when it claimed responsibility to the sporadic fires that hit Metro Manila. Olaguer was then arrested days before Christmas. The rest of the group was arrested on Christmas Day.  
[end recording]

CSO: 4200/238

MARCOS WRITES INSCRIPTION FOR CHINESE TROUPE

HK040714 Beijing ZHONGGUO XINWEN SHE in Chinese 0334 GMT 4 Dec 84

[Report from Manila by Li Jie [2621 2212]: "Marcos Writes Inscriptions for a Visiting Fujian Gaojia Opera Troupe"]

[Text] Manila, 4 Dec (ZHONGGUO XINWEN SHE)--President Marcos of the Republic of Philippines has written an inscription for a visiting Fujian Gaojia Opera Troupe. The inscription says: "I have learned that such literature and art activities are promoted by the Chinese community committee in Manila in conjunction with the Philippine cultural center and various Chinese organizations in the Philippines. I believe that this grand event is helpful not only for enhancing mutual understanding between the people, but also for strengthening the relations and cooperation between China and the Philippines. I am glad that this is the aim which governments of the two countries have unswervingly sought."

Mrs Imelda Marcos also wrote an inscription for the opera troupe. She said: "The performances given by the troupe will enhance our appreciation of traditional Chinese art, and strengthen the understanding and friendship between China and the Philippines."

Bagatsing, mayor of Manila; Ai Wen Luo Li Yue Si [1002 2429 3157 7812 1878 2448], chairman of the Chinese Community Committee, and Jia Si Lu [6328 4828 6564] also wrote inscriptions for the Fujian Gaojia Opera Troupe, respectively.

CSO: 4205/9



## PHILIPPINES

### BRIEFS

COCONUT EXPORTS—The coconut industry earned \$686 million in exports during the first 10 months of this year, or up by 22.7 percent from last year. The United Coconut Association of the Philippines said coconut oil shipments totalled 510,000 metric tons while desiccated coconut sales reached 572,000 metric tons. [Text] [Quezon City Maharlika Broadcasting System in English 0400 GMT 3 Dec 84]

CSO: 4200/238

## MILITARY AFFAIRS AND PUBLIC SECURITY

### BRIEF

**SEND-OFF FOR RESERVE OFFICERS**--Recently four wards in Hanoi organized a send-off for the first reserve officers to report for active duty in compliance with the newly-promulgated officers' law. Thoroughly understanding their task, the party committee echelons, administrations and military commands of the four wards had been making many efforts to get to know for sure the number of reserve officers and their technical occupations, to fulfill the goal set by the Ministry of National Defense for classification of sectors and to correctly ensure the specialized needs. In addition to the assistance provided by the heads of ministries, sectors, organs and factories, the reserve officers who had been called up showed great understanding and correct awareness. Consequently, they had had physical examinations and received orders to leave within the specified time, thus helping to fulfill the task. The send-off was organized in a careful and cordial manner. The secretaries and chairmen of the people's committees of the wards gave them gifts and urged them before their departure to contribute to raising the strength of the armed forces. [Text] [Hanoi HANOI MOI in Vietnamese 25 Sep 84 p 4] 5598

CSO: 4209/60

## PARTY ACTIVITIES AND GOVERNMENT

### STRENGTHENING OF PARTY ORGANIZATIONS IN CENTRAL HIGHLANDS EMPHASIZED

Hanoi NHAN DAN in Vietnamese 12 Oct 84 p 3

[Article by Tran Quynh: "Building and Consolidating Basic-Level Party Organizations in the Central Highlands"]

[Text] The Central Highlands and the western part of the central coastal provinces have a special strategic significance in the enterprise of building and defending the homeland. The missions of exploiting potential, developing the economy, and maintaining order and security in that strategic region are and will be extremely great and urgent.

Clearly realizing the position of the Central Highlands and the western part of the central provinces since the liberation, the party committees in the provinces of Dac Lac, Gia Lai-Kon Tum, Lam Dong, Thuan Hai, Nghia Binh, Phu Khanh, and Quang Nam-Da Nang have built increasingly stronger party organizations to fulfill the requirements of the leadership mission in the revolutionary phase. Nine years after the revolution, the provinces have achieved accomplishments in economic construction and have done a good job of maintaining social order and political security. Their most outstanding accomplishment has been the development of agricultural production. They have advanced from a shortage of food to resolving the food problem. In 1983 the region as a whole attained 600,000 tons of grain, a per-capita average of 300 kgs. Such industrial crops as coffee, tea, rubber, and cinnamon have developed strongly. The state economy has developed strongly, with hundreds of state farms specializing in growing industrial and grain crops and raising livestock, and dozens of state forests, which employ tens of thousands of Vietnamese and ethnic minority people. The collective economy has developed well. The Central Highlands have essentially completed the collectivization of agriculture, in the form of cooperatives and production collectives, in fixed cultivation-fixed habitation areas, wet-rice areas, and concentrated industrial crop area. In the region as a whole there have been set up 250 cooperatives and 1,800 production collectives. More than 45 percent of the cultivated area and 50 percent of the agricultural workers have been mobilized. The movement to reclaim wasteland and open up new land, build water conservancy projects, and create wet-rice fields has been promoted. Thousands of cultivated hectares have been added and the irrigated two-crop area has been increased to more than 25,000 hectares. Animal husbandry has developed and the number of horned livestock has increased to more than 500,000, including tens of thousands of milk cows raised on state farms. Noteworthy is the fact that more than 500,000

ethnic minority people in the region have adopted fixed cultivation and habitation. Nearly 300,000 people from the northern and coastal lowland provinces have arrived to develop the new economic zones in the Central Highlands. Industry and handicrafts have developed well, especially industries exploiting and processing wood, tea, coffee, pharmaceuticals, and the various kinds of agricultural products and forestry products.

Progress has been made in culture, education, science and technology, security, and national defense all over the Central Highlands.

The above-mentioned scientific-social accomplishments were results of all three aspects of the party building work: politics, ideology, and organization.

The task of building the basic-level organizations has been placed in the forefront of the party building tasks. Prior to the liberation the organization of party bases was restricted to the revolutionary base area. Since 1975 the party organizations have concentrated on building basic-level units, especially in the villages and subwards in the newly liberated areas. Hundreds of thousands of cadres and party members have been added to the bases, party organizations have been formed, and the governmental administration has led the masses in mopping up the bandits, stabilizing the production and lives of the people, and increasing local political strength. The party organizations have promptly launched revolutionary movements among the masses. Many advanced models have appeared, such as the villages of Dien Bien in Gia Lai-Kon Tum Province, Chu Kty in Dac Lac Province, Da Don in Lam Dong Province, etc., which are skilled in reclaiming wasteland, opening up new land, and building water conservancy projects; and the villages of Dac To Cam and Sa Binh in Gia Lai-Kon Tum Province, Chua Dang and E Tieu in Dac Lac Province, Phu Son in Lam Dong Province, Phan Son and Phuoc Chien in Thuan Hai Province, Ea Cum and Khanh Le in Phu Khanh province, Son Ba, Son Giang, Vinh Hiep, and Ba To in Nghia Binh province, and La Gie, Phuoc Duc, Try, and Tra Cang in Quang Nam-Da Nang, which have done a good job of campaigning for the people to adopt fixed cultivation and habitation, promoting production, stabilizing living conditions, and combining security with national defense. Furthermore, there are many models with regard to high yields, small industry and handicraft production, culture, and education.

At present there are basic-level party organizations in nearly all villages and subwards. A number of party chapters and organizations have determined political missions, gradually developed the local economic strength, stabilized the political security and social order situation, created local militia and self-defense forces to defend the villages, built up the mass organizations, and consolidated and developed the role of the governmental administration at the local level. By means of the revolutionary movement the echelons have trained core cadres, created sources of party development, and gradually assigned key positions to the local cadres.

The basic-level party organizations in the state farms, state forests, enterprises, stations and farms, and in the distribution-circulation sector, have undergone a good transformation. The party member forces in those economic organizations are still few in numbers but they know how to exercise their leadership and economic management ability, which since the liberation

has enabled the state economic component to play the leading role in production, be the center for the employment of many workers, and extensively disseminate scientific-technical advances among the ethnic minority people.

However, a major problem that has been posed is that the number of strong basic-level party organizations in the Central Highlands and the western part of the central coastal provinces is not large, and the leadership ability of many party chapters and party organizations has not kept up with the requirements of the new missions regarding socialist transformation and socialist construction. There are still many weak, deficient bases, party members are not uniformly distributed, and few party members are ethnic minority or local people. A number of base areas have many bases but their abilities are limited. In many basic-level party organizations in many state bases leadership and economic management are still of the subsidized, bureaucratic sort, labor productivity is still low, and difficulties are still encountered in the lives of the cadres and workers.

The missions of building and defending the Central Highlands has posed the urgent problem of strongly consolidating and building the basic-level party organizations. The experiences of Dac Lac and Gia Lai-Kon Tum provinces demonstrate that it is necessary to enable the basic-level party organizations to fully understand the missions of their localities, on the basis of the common lines of the party. The provinces and districts are responsible for helping the bases clearly determine the political responsibilities of the bases, in order to exploit the potential and strengths of the localities. On the basis of the actual experiences of a number of provinces and districts, a recent conference on the party building work in the Central Highlands set forth the foremost measure for consolidating the basic level, especially in the villages and subwards: perfecting the proletarian dictatorship system. The basic-level party organizations, the leadership nuclei, must be perfected first. It is important to perfect the party committee echelons and correctly assign people to the key positions. The basic-level key cadres must be local party members who have received training in political theory and economic management that is appropriate to the mission of that base. The Try party organization is continually concerned with improving the leadership ability of the party members and cadres. Although it is very far from the district seat and travel is very difficult, by relying on radio broadcasting, newspapers, and the resolutions and directives of the upper echelon, the party organization of Try village continually carries out political education and disseminates current events and policies to the party members. The core cadres have been exemplary in the movement and have enthusiastically and actively wrestled with the work. Therefore, the village has become a bright spot in the remote mountains-and-jungles area in the western part of Quang Nam-Da Nang Province.

The district party committee has a very great responsibility in consolidating and building the basic-level organization. That is also a requirement in building the districts and strengthening the district echelon. Only with a strong basic level can districts be strong. During the past several years the campaign to build strong district party organizations has had a great effect on the consolidation of the basic level in the Central Highlands. Duc Trong District in Gia Lai-Kon Tum Province and Sa Thay District in Lam Dong Province have gradually become stronger, above all because the district party committee



has been concerned with building the basic level, has been oriented toward the basic level, has concentrated cadres at the basic level, and has perfected the village apparatus.

Clearly realizing the role of the district with regard to the basic level, the provinces must stress strengthening the districts so that they can do a good job of drafting economic-social plans that closely combine the economy with national defense. The sections of the district party committees must be perfected and the governmental administrations, mass organizations, sections, and sectors in the districts must promptly improve their leadership and management ability so that they can be capable of helping the basic level advance.

At present, the percentage of weak, deficient bases in the Central Highlands and the western part of the central coastal provinces is still high. Enabling those weak, deficient bases to advance is the responsibility of the districts in which those bases are located. Each district echelon must review the weak, deficient bases, find out why they are weak and deficient, and take specific measures to overcome those problems. If bases are weak and deficient because of the key cadres, those cadres must be resolutely replaced. Chua Dang Village was weak and deficient for a long time because of the decline in quality of its key cadres. After Dac Lac Province helped strengthen the village and sent cadres to help it the village underwent a rapid transformation and became a strong point unit in the province.

A number of villages were dominated by the enemy, which caused the movement to decline seriously. The consolidation of those bases had to be carried out urgently, resolutely, and cleverly. First of all, attention had to be paid to motivating the masses to expose the bad elements and promote the task of mopping up the enemy. Here it is necessary to select loyal party members to hold the principal positions in order to, in the revolutionary movement, rally the positive people and train them to become core cadres, develop the party, and consolidate the mass organizations, thereby consolidating the party chapters and organizations.

If the bases are weak and deficient because of objective conditions, unfavorable natural circumstances, or poor material bases, the problem that is posed is to help those bases overcome their difficulties by helping capital, investing in such material-technical bases as water conservancy projects, roads, and hydroelectric stations, and guiding cultivation and animal husbandry plans. Special attention must be paid to helping places which suffered heavy war damage and ethnic minority areas with backward production, low income, and difficult living conditions. There must be policies to help and encourage such bases to catch up with the other localities.

Recently, many provinces and districts in the Central Highlands and the central region have sent cadre groups to help the weak, deficient bases advance. That is an essential task.

The consolidation and building of basic-level party organizations must be complete, including the strengthening of governmental administrations, mass organizations, cooperatives, production collectives, public security forces,

the army, and the militia and self-defense forces. At the same time, in the sphere of the district there is also the requirement of building and consolidating the basic-level party organizations in the state commercial units, the distribution-circulation sector, the state farms, state forests, stations, public health and education bases, and administrative organs. There must be practical means to build and consolidate each basic-level party organization, depending on its specific missions.

The Central Highlands are entering a new period of development. The building and consolidation of the basic-level party organization there and in the western part of the central coastal missions are a major concern of the party committee echelons throughout that region.

5616

CS0: 4209/55



## ECONOMIC PLANNING, TRADE AND FINANCE

### PRAVDA VIEWS NATION'S ECONOMY THROUGH PROVINCIAL STATISTICS

Moscow PRAVDA in Russian 2 Oct 84 p 4

[Article by M. Domogatskikh, PRAVDA correspondent, Hanoi: "On the Labor Front: Following the Course of Party Congresses"]

[Excerpts] From Hai Van Pass, the natural border between the two provinces of Binh Chithen and Quang Nam-Da Nang, one can see the dim contours of distant islands, toy fishing villages along the sea coast, small islets of rice fields, and coconut palms, framing this lovely picture.

In recent years the amount of land under cultivation has more than doubled in comparison with 1975. Fields of industrial crops, which are used to satisfy the population's needs and to provide exports, began to grow rapidly.

Four years later, after the liberation of the southern part of the country, cooperative agriculture was started in the province. This great restructuring of social relations in the villages has resulted in successes and in failures; the province's party committee, which finds support in the decisions of the CPV (Communist Party of Vietnam) Central Committee and in the broad popular masses, have been able to overcome these failures in time. The party has not allowed mistakes to spread and interfere with the work of transforming the most important sector of the economy. The work of establishing cooperatives has now been completed in the province; 254 cooperatives include 93 percent of the peasant farms and they have 84 percent of all arable land.

The formation of cooperatives has made it possible to mobilize forces for large-scale irrigation construction. Assistance from the state and resources drawn from the cooperatives were used to build 10 fairly large water reservoirs; to establish pumping stations; to erect protective dams and to build thousands of kilometers of irrigation channels. And at the last party conference mention was made of a great victory: 80 percent of the rice fields have water available at any time of the year.

In addition to expansion in the area under cultivation, chemical fertilizers have begun to be used in greater quantities. The application of new kinds, which have a shorter maturation period, higher yields and greater disease resistance have made it possible to increase rice harvests.

"It is interesting to compare these data," says Nugen Than Long, chairman of the province's people's committee. "In the last three years our average increase in food production has amounted to 20 percent, before liberation food production kept going down. In 1983 we obtained 2.5-fold more rice than in the first year after liberation. The party's Central Committee is directing the rice growers to learn how to harvest 50 quintals of rice per hectare and to go on from there to achieve higher figures. And in this regard our province has taken the correct approach. Last year 102 cooperatives out of 254 harvested 80 quintals of rice per hectare, and the peasants from the Dai Phouc Cooperative, whose labor has been rewarded with high government awards, achieved yields of 216 quintals of rice per hectares."

"Convincing figures," says the secretary of the party committee. "It is easy to use them as evidence of our good work. However, we communists must always remember the Leninist teaching not to flatter ourselves with our successes but to look instead at what has not been done and to find out where the reserves lie. In this regard I would like to talk about the unresolved problems in agriculture. The high indicators of the best cooperatives cannot be used to hide the fact that many of our farms bring in poor harvests. Many forces, resources and seeds are used, but the yield is small. That is what disturbs us most of all at present. When every hectare yields as much rice as they harvest at the best cooperatives we will then be able to say that we are fulfilling the decisions of the 5th CPV Congress regarding intensive, highly-productive agriculture."

The province's communists have not concentrated their efforts on agriculture alone, although it has received the bulk of the attention. Quang Nam-Da Nang is a province with a high level of industrial development. It produces textiles and machine tools, canned goods and agricultural equipment, items of daily use and goods for export. Last year it yielded output worth 480 million dong; there was a particularly sharp increase in export items: handicrafts, carpets, food products, pharmaceuticals.

"We are striving," says the secretary of the province's party committee, "to raise industrial output, to bring its value up to 550 million dong in 1984 and next year, the final year of the five-year plan, to raise it to 650 million dong. This will mean that we have created a good foundation for tomorrow and for the implementation of the policy, set out by the 5th CPV Congress and by subsequent plenums, to turn the provinces into industrial-

agrarian units and the districts into agrarian-industrial units of the country's economic system and from this platform to begin the attack on the front of socialist construction in all areas--economic, social, scientific-technical and cultural.

The road to the resolution of these tasks, the leaders of the province tell me, holds many difficulties, shortages, subjective and objective inadequacies. Agriculture needs machines, fertilizers, spare parts, new seeds and pesticides. And much more. Industry lacks raw and secondary materials, electric power, fuel, equipment and technological innovations which take into account the local raw material base.

"Personnel is one of our most difficult problems," says Hong Minh Thang. We need skilled workers for industrial enterprises, machine operators and technicians for agriculture and even more, we need managers, who have a good understanding of practical economics and methods of economic management and who are capable of making rapid judgements about changes in the economic front, who are able to restructure production skilfully, to put forward new ideas, to support the initiative of the masses, to look for hidden reserves and to put them at the service of society. All this means being a new type of economic manager."

The party committee has create a broad network of schools and courses at which party and economic personnel acquire theoretical knowledge and exchange information about practical economic management, beginning with brigade leaders and chairmen of cooperatives and ending with managers of party, state and economic organs in the province.

"We see the guarantee of future successes," says the party committee secretary, "in good personnel training, as well as in the preparedness of party organizations and of every communist."

The province of Quang Nam-Da-Nang, which was recognized for the heroic feats of its population during the war years, is now conducting a battle on another, no less difficult front--the front of economic and social construction. The efforts of communists are directed at achieving victory here.

8543

CSO: 1807/58

## ECONOMIC PLANNING, TRADE AND FINANCE

### EDITORIAL STRESSES RENEWAL OF ECONOMIC MANAGEMENT

Hanoi TO QUOC in Vietnamese Sep 84 pp 1, 2

[ Editorial: "Actively Contributing to Renewal of Economic Management " ]

[ Text ] To improve the standard of living is a key aspect of the basic economic law of socialism. Therefore, our party and state always consider stabilizing and gradually improving the material and cultural life of the people their first and foremost task. Of the general socioeconomic goals set by the 5th CPV Congress the one about the standard of living also was the top goal.

In the last 3 years, although there still were very many difficulties and a serious lack of balance, our economy was able to overcome tough challenges and scored important achievements in fulfilling two strategic tasks: building and defending the socialist fatherland.

We all remember that the 1981-1985 state plan began against the background of an economy that had been declining seriously. Many enterprises at that time were being closed down; land was being left uncultivated and fallow because farmers were not eager to work; many construction projects were left unfinished; the large investment in capital construction did not bring about much profit; export and import were not moving at all; life of the working people encountered a lot of hardship, and so on. The objective and subjective reasons for the deterioration in the years of 1979-1980 have been well-known to each and every one of us.

It is obvious that so far we have stood up and made considerable progress in agricultural production, first of all in grain production, then also in industrial production, communications and transportation, capital construction, export, and so on.

Those were the first results of the renewal of economic management along the line adopted by the 5th Party Congress.

However, those progresses and changes were far from uniform, strong and basic. Although agricultural production had scored many outstanding achievements, they were far from steady; any serious natural calamities would create a tense situation, as it happened in the North in the first months this year. The reason is that our economy, which had remained underdeveloped and had suffered from destruction by a long war, must cope with a kind of multifaceted war of destruction by the Beijing hegemony-advocating expansionists in collusion with the American imperialists and face unfavorable events in the international situation. On the other hand, we still had many shortcomings and weaknesses in our economic management, including serious and long-lasting ones. These shortcomings reflected such ills as bureaucracy, conservatism and inaction in the economic management mechanism and the state of being divisive, localistic, unorganized and undisciplined.

In order to create strong changes in economic management so as to fully carry out the socioeconomic goals and tasks recommended by the 5th Party Congress, early last July the CPV Central Committee held its 6th plenum to concentrate on discussing and making decisions about the urgent tasks to be carried on for improving economic management.

The plenum mentioned two kinds of urgent and basic matters that would need concentrated efforts to resolve:

1. To strongly develop the collective ownership right of the working people and the initiative, creativity and abilities of production installations; to reorganize production; and to gradually build the new management mechanism, with correct division of work and management levels.
2. To resolve a number of urgent distribution-circulation problems, particularly in such fields as market, prices, wages and cash, so as to properly serve the production installations and at the same time to correctly resolve the distribution relationships in the national economy.

The two aspects are in the same form, serve each other, create conditions and are the prerequisite for each other.

To improve economic management is an important and urgent matter that is raised by the everyday life and needs to be correctly resolved in conformity with the needs of the economy in different stages. In the fraternal countries, although they have entered the stage of developed socialism, to improve economic management still remains a topic of the day; our country which still is in the first leg of the period of transition to socialism certainly cannot overnight build a perfected economic management system. Consequently, the best road for us to take remains that of self-reliance and involves efforts to overcome difficulties, to work and to learn at the same time, to do productive



work and to reorganize production at the same time, to reorganize and develop the economy at the same time and to gradually perfect our economic management mechanism.

In addition to improving management in basic-level units and in all sectors and levels for the purpose of strengthening services and the management of production installations, the resolution of the Plenum of the CPV Central Committee this time contains many very important new policies that are aimed at resolving a number of urgent matters and achieving a very basic step in distribution-circulation.

At the present time, production still encounters a lot of difficulties and there is a lack of balance in many of its aspects; the "free" market is still very broad; prices show excessive fluctuations; the living conditions of the working people, first of all of workers, cadres and the armed forces, remain very difficult; the income relationship among strata of the population is very irrational. In this situation, the improving of distribution and circulation must be aimed at: 1. Encouraging production development; 2. Stabilizing and gradually improving the standard of living of working people; 3. Consolidating the national finances; and 4. Establishing the socialist social order in the field of distribution-circulation. To attain these objectives, in the coming years we must simultaneously carry on two types of work: on the one hand, to step up purchases, control of sources of goods and expansion of socialist commerce and to actively transform and tightly manage the free market; on the other hand, to urgently adjust the policies that deal with prices, wages, financial and monetary matters. The distribution policy must correctly resolve the basic relationships of the national economy, reflect a thorough understanding of the principle of distribution being based on labor, do away with the all-level system, make the working people feel enthusiastic as they do productive work and harmoniously combine various interests -- the interests of society as a whole, of collectives and of the working people; the interests of the central, local and basic levels.

The party that assumes the leadership has clearly indicated that to control the market is a tough matter and a decisive daily and hourly struggle between the socialist and capitalist roads, between us and the enemy. If we fail to control the market and if we let the "free" market, commercial bourgeois, speculators and smugglers overpower the socialist market, we cannot control production and distribution-circulation, nor stabilize the currency, prices and standard of living of the working people, particularly of workers, civil servants and the armed forces.

We intellectuals must be aware of our responsibilities in the renewal of the country's economic management mechanism in general and in the struggle for control of the market in particular.

On the occasion of the 9th (enlarged) Conference, the Central Committee of the Vietnam Socialist Party has expressed the belief that all echelons and sectors throughout the country will strive to emulate one another to turn Resolution 6 of the CPV Central Committee into reality and to give themselves the task of taking part in the movement to urge the intellectuals to fulfill the urgent tasks in improving economic management as the CPV Central Committee has outlined.

Those are the responsibilities and honor of each and every one of us as we actively contribute to the great changes in the socioeconomic life for the purpose of achieving success in the construction and defense of the socialist Vietnamese fatherland.

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CSO: 4209/60



## ECONOMIC PLANNING, TRADE AND FINANCE

### SOUTHERN PROVINCES STRENGTHEN MARKET MANAGEMENT

Hanoi NHAN DAN in Vietnamese 12 Oct 84 p 1

[Unattributed article: "Southern Provinces Strengthen Control of Goods Sources and Market Management; Ho Chi Minh City Implements Joint Operation Cooperative Forms and Expands Retail Network"]

[Text] Implementing the resolution of the Sixth Plenum of the Party Central Committee in resolving a number of urgent problems regarding distribution-circulation, all southern provinces have expanded socialist commerce and tied in transformation with market management in order to step up the control of goods and money, ensure the supplying of essential goods to cadres, workers, and members of the armed forces, and stabilize the workers' living conditions. In Hau Giang and Tay Ninh provinces, and a number of other places, many districts and cities control 90 percent of the wholesale trade and 70 percent of the retail trade, especially in foodstuffs and a number of other essential goods. The localities have been able to control the market because they have combined struggle in all three aspects: management, preventing and opposing internal negativism, and reorganizing and making good use of private merchants. On that basis they have isolated and appropriately punished the speculators, blackmarketers, producers of ersatz goods, and people who engage in illegal commerce.

Hoa Thanh District in Tay Ninh Province has carried out the all-round transformation of agricultural production combined with the transformation of commerce and services and accompanied by the opening of hundreds of additional stores and stalls and a number of commercial corporations. Therefore, it was able to gain control of small industry goods, surpass the plan norms regarding the purchasing of agricultural products, food products, and grain, and control the market in many goods. On an annual basis the Hao Duc marketing cooperative in Chau Thanh District achieved a purchases and sales index of more than 60 million dong. The Tay Ninh Province Party committee held a conference attended by more than 300 key cadres to propagate those two advanced models in the process of strengthening socialist commerce and combining transformation with market management.

Ben Tre Province has adopted the policy of mobilizing 30 percent of the party members to participate in carrying out transformation combined with market management.

Hau Giang Province has recapitulated and disseminated the experiences of sundry goods-foodstuffs corporations of Can Tho, Vi Thanh District, and Soc Trang City regarding investment to serve the development of production, taking the initiative in controlling the sources of goods and transforming the catering services sector, combined with the reorganization of the market and mastering the market in foodstuffs. A number of districts and cities in the provinces of Cau Long, Minh Hai, Kien Giang, and Long An have begun to transform a number of sectors dealing in essential goods and has implemented the policy of state monopoly of the grain trade. Thanks to the expansion of socialist commerce combined with the transformation and management of the market, Thuan Hai Province, the Mekong Delta provinces, the Vung Tau-Con Dao Special Zone, Tay Ninh Province, and Song Be Province have attained higher levels than at the same time last year in purchasing foodstuffs.

In Ho Chi Minh City, in the process of transforming private commerce a number of grain, catering, food products, and produce sectors have adopted transitional economic forms, such as organizing private merchants to serve as agents and to participate in commercial cooperation in hundreds of commercial bases in order to fully utilize their capital, skills, and commercial installations. The implementation of those forms in Ho Chi Minh city has begun to attain good results, benefit the workers, increase the state income, and ensure rational income for those who do a good job of implementing the policy of the socialist transformation of industry and commerce.

In order to do a good job of managing the market, the municipal commercial sector has added thousands of retail locations, including more than 300 service locations in the suburbs and villages. Because it did a good job of forming alliances with the provinces, department store No 2 has 3,400 products, has added retail stalls, and participates in marketing the essential goods. The municipal department store has begun to control sources of goods and retail selling, and is preparing to stock goods to serve the coming Tet period. During the third quarter that store purchased goods valued at 45 million dong beyond the plan norm. It also organized a permanent mobile goods selling unit to go to the organs and enterprises to serve the consumers. During the third quarter the store surpassed its retail sales norm by 15 million dong. The food store of Precinct 6 organized nine pork selling teams, a team to sell hog intestines, and two teams to sell roast pork at four pork markets in Binh Tay, Minh Phung, Phu Lan, and Cau Bot precincts. The store brought in 27 additional skilled small merchants to cut meat to be sold to the state. Precinct 10 organized a general commercial corporation which was both capable of controlling additional sources of goods and of ensuring that goods are brought to the consumers, while participating in the transformation and management of the market.

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## ECONOMIC PLANNING, TRADE AND FINANCE

### RESTORING ORDER ON DISTRIBUTION-CIRCULATION FRONT

Hanoi LAO DONG in Vietnamese 11 Oct 84 p 1

[ Editorial: " Preventing State-Owned Goods From Entering Free Market " ]

[ Text ] In spite of the many difficulties that still existed in production and everyday life, our socialist commercial sector was moving forward, extending its activities, raising service quality and business efficiency and helping to stabilize the standard of living. Trade union members, workers and civil servants in the commercial sector and in distribution and circulation were striving to overcome difficulties, to make purchases and to control sources of goods, to fight against private business people and to bring goods to consumers. There were quite a few good examples among goods-purchasing cadres, state store staff members, storehouse keepers, and so on.

However, a current hot topic today is about a large volume of goods, mostly consumer goods produced by the state-operated and collective sector, being illicitly taken away and sold in the free market. This is the serious leak of goods that the working people, mostly we workers and civil servants, are worrying about. With out tiny monthly salaries, how can we stand the private business people's deliberate price increases? This does not include as yet those cooperatives that have intentionally raised prices of the goods under state management. There were many reasons why the state-owned goods, which were supposed to be distributed through the socialist commercial sector, have fallen into the hands of private business people to let them get rich and disrupt the market. Some state-operated and collective production installations have until now refused to seriously deliver their products to the state and instead have let goods get out through many channels; storing of goods and keeping of storehouses have been far from good, which allowed bad people to steal goods, to replace goods, to take the good ones and to bring the counterfeit goods into state stores; in addition, there was the situation of lack of discipline, lack of responsibility, rightist tendencies, absence of vigilance, and so on.

There must be a basic change of that situation before we can talk about serving better production and everyday life. Trade union organizations must share a part of the responsibility for it, but first of all it is the responsibility of trade union members and workers and civil servants in the commercial sector and in distribution and circulation. We affirm that the goods we make must definitely go into the hands of the state, which then fairly and rationally distribute them to consumers, to large numbers of workers and civil servants and the armed forces. In order to change the present state of distribution and circulation, we must first of all further strengthen the role of socialist commerce in managing the market and serving production and everyday life. This is not so easy a thing to do, for it is both a class struggle and a struggle within the ranks of those who do commercial and distribution-circulation work. More important is the need to stress strict discipline in all state-operated and collective production installations so as to ensure that no products and goods in however small a quantity will get away from the hands of the state.

The trade union organizations in the commercial sector and in distribution and circulation have a great responsibility for educating and training their members and workers and civil servants in the sector to heighten their class stand and their views on serving, building the new man and achieving socialist commercial civilization. To organize sales contests aimed at selecting model state store staff members as some localities are currently doing is a good thing to do to have great educational significance and must be done more widely and maintained as a regular and continuous activity. Trade unions can draw experience from them and then organize additional contests to select outstanding purchasers and storehouse keepers, to mobilize and reward them in time and to develop this activity into a mass movement.

To whom the goods we make go and are distributed is something we must have a special interest in. If we fail to recognize it and in the meantime let goods get away and let a number of bad elements in the distribution-circulation sector collude with private business people in disrupting the market and destabilizing prices, we will be the first people to shoulder the consequences. The commercial bourgeois, dishonest business people and thieves are living a good life and getting rich, in spite of our poverty and want. Therefore, trade union members, workers and civil servants, first of all the people in the commercial sector and in distribution and circulation, are standing on the forefront of the struggle for restoring order on the distribution and circulation front, putting an end to taking goods away from the state, fighting against the free market and wiping out the commercial bourgeoisie.

## ECONOMIC PLANNING, TRADE AND FINANCE

### FREE MARKET CALLED DOMINATING ECONOMIC FORCE IN HAIPHONG

Hanoi LAO DONG in Vietnamese 11 Oct 84 pp 4, 5

[Article by Thieu Mai and Tat Khue: "Going Around Haiphong Market"]

[Text] The seaport city is a gateway through which circulate goods from all sources. The Haiphong market is abundant because of many sources of goods: goods shipped in from the central administration, locally produced goods, imported goods, goods obtained from friendly provinces, goods brought home by people returning from abroad, and so on. However, this is the very reason why the market has become complicated because these goods in most cases do not go into the organized market, but up to 60 percent go to the free market instead. In recent years, the state-operated commerce in Haiphong actually was unable to control and guide the market. The segment of marketing cooperatives was enlarged but still did not function correctly. Many subwards and villages still used private business people in the name of their collectives to do illegal business. Individual business households were quickly growing, competing with the state stores in buying and selling and causing disturbances to prices and the market.

Here are what we observed in our visit in Haiphong:

#### Everything Is Available Here!

We met by chance a Thanh Hoa trade union cadre, who said the purpose of his trip to the seaport was to buy some goods for the organ. He said, "Except for rockets, everything is available here in Sat Market for you to buy."

It was a good opportunity for us to see the "beauty" of the seaport and to observe its "strong position," and as we were able to borrow a bicycle, we promptly rode it along the bank of Lap River to get to Sat Market. It was exactly true, just as the Thanh Hoa trade union cadre had said. Here you could buy anything you needed. It would be difficult for you to enter a state store and to buy a few meters of a kind of material you would like for making



a suit. But here you would be dazzled by the displays of materials of all colors and types. Pieces of materials of flowered and checkered designs were everywhere; each and every one of them was very attractive. As I came to the plastic wares and ready-made clothes, I blamed myself: I had been so stupid, for I had spent half a day yesterday in the state stores to look for a piece of plastic cloth, which I was unable to find, but here it was available everywhere. Raincoat materials of multicolored flowered designs were beautiful; there were piles of army officers' raincoats, Thai and American blue jeans and T-shirts bearing strange pictures and words.

With such an abundance of goods, we should feel happy about the improved living conditions of the people in the city! On the contrary, that was the worry of the working people of the seaport. For the goods were not displayed in any state-owned booths, but lay in the baskets and booths of private business people. The people the latter served were not workers of the cement plant or laborers who were dumping earth into the sea to build a road from the city to the islands. What we should mention here was that because management was loose and because the commercial sector was not yet capable of controlling the sources of goods, nearly 20,000 registered small-business households (excluding thousands of people acting as intermediaries to buy or sell goods for other people) were freely selling and buying goods and colluding with a number of deviant cadres and civil servants to get the state-owned goods and to turn them into privately-owned goods for sale. In the last few years the number of those people was increasing very quickly. In accordance with an investigation by the municipal organ in charge of transformation of small business people, they owned a rather large volume of goods, with 70 percent of them having come from the state.

That situation caused disturbances to distribution and circulation and made prices rise at a fast pace and the living conditions of the people, mostly those who were paid wages on a piecework basis, become unstable.

### Weak Masters

As people talked about the socialist market, they readily understood that the real masters of the latter, the ones that should play the leadership role, were the state-operated commerce. The people of Haiphong, especially workers and civil servants, admitted that in the last several years, particularly at recent times, the state-operated commerce was still capable of satisfying the basic needs of workers and civil servants in their everyday life, with nine fixed-quantity items being fully supplied (with some delay sometimes). As they recalled the Haiphong state-operated commerce, they immediately remembered the Hong Bang counter selling industrial and handicraft products and such food stores as Thuong Ly, An Duong, Cho Con, and so on. Those were progressive booths and stores and reliable "housewives." Workers of

the cement plant and Bach Dang Shipyard said that for decades the staff members of Hong Bang state store had been bringing industrial and handicraft goods to their plants to sell on a regular basis. They also mentioned the story of Nguyen Thi Phieu, an outstanding emulator of An Duong Food Store, who had been pushing her cart in spite of rain or shine and visiting with every worker's family in the collective quarters to deliver goods in accordance with the book in which their orders had been written. If we had to cite here such good deeds and fine work on the part of state store staff members, there were so many more to mention. But by citing such good examples could anybody dare say the Haiphong state-operated commerce was strong? There was a reason for private business people having quickly "expanded" and monopolized the market: the state-operated commerce had not yet been able to reach out and to seize the market. This "slowness" had its reasons that had to do with production, management mechanism, organization of cadres, business formula, qualities and morality of the socialist cadres and state store staff members, and so on.

Let us give you a few examples:

In 1983, the Haiphong commercial sector allowed 129 cases of losses of considerable amounts of goods and money in public funds (in accordance with investigation and prosecution). Those cases were distributed on the basis of the kinds of goods involved as follows: the Food Corporation, 21 cases; the Fuel Materials Corporation, 31; Industrial and Handicraft Products Corporation, 9; Vegetables and Fruits Corporation, 14; and other sectors like grain and foreign trade, the rest of the cases. The number of violators involved in those cases was 189. Violators included party members, corporation leaders, bureau chiefs and deputy chiefs, team leaders, salespersons and cadres in charge of management, delivery and reception, accounting and protection. At a lower degree of violation, the municipal workers' control unit discovered many bad things and found many people who were the cause of sorrows among the true cadres and commercial workers. In the first 6 months of 1984, the unit discovered 152 cases of violations in a total of 335 rounds of control work. In addition, there were some major cases of corruption committed by people in high positions of authority. The workers and civil servants in the seaport are discussing among themselves the case of large-scale corruption in Tien Lang District Commercial Corporation. The case is now under investigation and awaits trial in a law court.

Recognizing its own strengths and weaknesses, the Haiphong commercial sector is being consolidated and reorganized to be more rational, checking the performance of its cadres, opening additional sales locations, strengthening the exploitation of sources of goods and opening additional service counters to provide haircuts, permanents, watch and bicycle repairs, which at one time were left free for anyone to provide. To set anew prices of goods is also



an important measure Haiphong is taking. The supply of nine fixed-quantity items to workers and civil servants is still being guaranteed by Haiphong. As to the six unlimited-quantity items and the goods that are distributed in accordance with snack-bar books and at stable retail prices fixed by the state, Haiphong has dropped them and are selling them at prices nearly as high as free-market prices, with the differential profits it is making to be evenly divided among workers, civil servants and the armed forces throughout the municipality on the occasion of holidays, the Tet and at the end of the year. That is the way Haiphong has been doing. But it takes some time to have the results of its work. The cadres of the Haiphong Trade-Union Federation who closely observe the standard of living have said that if this way of doing things did not uniformly coordinate prices, sources of goods and market reforms, it would surely create shortcomings and directly affect the life of workers and civil servants.

### Second Army Division

Early this year, on the occasion of the official appearance of the Union of Marketing Cooperatives, a member of the Municipal CPV Committee said that Haiphong should have two army units, a regular army division (the state-operated commerce) and an irregular army division (marketing cooperatives), and that both should move forward vigorously to seize the market. Perhaps because of this heavy task that the marketing cooperatives section has been separated from the Commercial Service and is now subordinate to the Municipal People's Committee.

Everybody knows that in the socialist economic structure and makeup we have the state-operated economic sector and the collectivized economic sector. This also means that as we mention the socialist commerce, we must understand that in the latter the state-operated commerce plays a leading role and an effective supporting section is the marketing cooperatives. Presently Haiphong has as many as 194 marketing cooperatives, with 217 sales locations in subwards and villages. There are nearly 2,500 people working in these locations. With such a large number of people, it is correct to call them an "army division," but this does not mean that we can substitute quantity for "quality."

In the present situation of Haiphong, in order to support the transformation of small business people and to quickly stabilize the market, the development of marketing cooperatives is very necessary. But we must limit their activities, or else they will compete with the state stores in buying and selling goods. An example is about hogs. When we worked with the deputy director of the Commercial Service, we were told that the state-operated commercial sector was seeking every means to monopolize the complete butchering process, from purchasing to selling. On that same day, we went with the director of

the Union of Marketing Cooperatives to the Niem Nghia Subward (Le Chan Ward) marketing cooperative, where a report was made: everyday it butchered hogs by itself and sold up to 2 quintals of pork. And in 1985, according to the projected goal, the marketing cooperative of this subward would strive to have a total turnover from hogs alone of 19.2 million dong (a monthly average of 90 hogs to be butchered). As it moved along, it would buy hogs and sell them to the export organ. Is it a phenomenon of "tramping on each other's foot"?

In the case of one market where two people both want to be the first master, if there is no clear-cut division of work, we are afraid that lots of problems may arise!

Since this involves serious work, we are not in a position to offer any in-depth discussion. But we mention here a matter that the working people in the seaport have been pondering as they raise questions about "this second army division": To what extent can we think about the socialist character and reliability of marketing cooperatives? Let us quote the deputy chairman of the market transformation and management committee of the municipality: "The great majority of subward marketing cooperatives presently does not operate in conformity with the assigned functions and regulations." In other words, many subward cooperatives as the people have often said "display goat heads but sell dog meat," for they actually are the stores of a group of people who contribute money to doing legal business. The marketing cooperative of Dong Quoc Binh Subward, however, was prosecuted because it had abused its collective character to do illegal business. The one in Lach Tray Subward had done the same thing. Back to the one in Niem Nghia Subward, there was the case of a few women who had been small business people and now joined the cooperative, where they butchered four hogs one day but made a statement to the effect that they butchered only three and split the profits they made on the fourth one.

In Haiphong we saw very many sales locations that displayed the signs of subward marketing cooperative, but the owners of such counters still were the former private business people. The counters were part of their houses and the capital involved was also theirs. As they paid each month some of their profits to the subward, their counters automatically became cooperatives, a part of the socialist commerce! What good could it bring to transforming, reorganizing and stabilizing the market?

In recent months Haiphong began to take the measures to consolidate the marketing cooperative segment and to gradually make these cooperatives function correctly. In our opinion, this effort must be carried out more vigorously and strictly.

## Working People's Wish

As we think seriously about it, the victims of the state of chaotic market and fluctuating prices that recently happened in Haiphong are workers and civil servants. They live only on salaries. Therefore, more than anyone else they enthusiastically support the correct positions about transformation of small business people, management of market and restoration of social order in the field of circulation and distribution. They consider any good results obtained from such activities a motivation for raising labor productivity and daily work efficiency. And according to the plain thinking of many workers we met in the cement plant, at the port, in Song Cam or Bach Dang shipyard, in the power plant or wool knitting mill, in order to transform the small business people and reform the market we must first of all educate, reorganize and reform the cadres and civil servants in the state-operated commercial sector and in marketing cooperatives. That is the best support for the municipality's victory on the circulation-distribution front.

When will the state-operated commerce become the masters of the market? This is the question and also a wish of the working people of the seaport city. They want to have soon a stable living so as to work better and to make more contributions to the longer and broader steps of the seaside city.

The people who can accurately answer that question certainly are the cadres and workers of the Haiphong commercial sector, which also includes the marketing cooperatives.

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## ECONOMIC PLANNING, TRADE AND FINANCE

### PERFECTION OF COLLECTIVE MASTERSHIP MECHANISM DISCUSSED

Hanoi NHAN DAN in Vietnamese 25 & 26 Sep 84

[Article by Phan Xuan Sac: "Some Thoughts on Perfecting the Collective Mastership Mechanism in State Industrial Enterprises"]

[25 Sep 84 p 3]

[Text] Socialist state industrial enterprises are the basic production and commercial units of the unified socialist economy in general and industry specifically.

When speaking of the position of the basic units, comrade Le Duan stressed that "In the economic structure an extremely important foundation role is played by the basic units. Without the basic units there could be no industry or agriculture, central economy, or local economy, and the economy could not continue to exist. The basic-level units are the front line of the economic front, produce all material wealth, and create surplus output and sources of capital accumulation. In them the laboring masses every day directly carry out the three revolutions under the leadership of the party and the management of the state." (Le Duan: "Grasp the Laws and Revitalize Economic Management," a speech delivered at the Sixth Plenum of the Party Central Committee).

So that the state industrial enterprises can correctly fulfill their nature and role, while carrying out the improvement of the management mechanism in the basic production units we cannot but perfect the mechanism of the party leading, the unit heads managing, and the workers and civil servants serving as the collective masters in the state industrial enterprises.

The system of the party leading, the unit heads managing, and the workers and civil servants serving as the collective masters in industrial enterprises is the concretization of the mechanism of the party leading, the state managing, and the people serving as the masters in our system. It is a combined mechanism which has the nature of determining the quality and high economic-social effectiveness of all other mechanisms in enterprises. That is a valuable experience lesson learned from nearly 30 years of managing state industrial enterprises. Wherever there is a unity of objectives and methods between the leadership of the party organizations in enterprises, the management of enterprise heads, and the real managerial participation of the workers and civil servants in the enterprises, production and business develop.

and the material and morale lives of the enterprises are happy and wholesome. Wherever these three forces lack solidarity production and commerce cannot be good.

In the spirit of the resolution of the Sixth Plenum of the Party Central Committee, the state industrial enterprises will be allowed to expand their right to take the initiative in production and commerce. That means that the state will give the enterprises much greater authority, and the responsibility of the enterprises will be greater. The enterprises will resolve their own production and commercial problems, so that their production and commerce can be effective and so that there will be capital accumulation for the enterprise and for the state, in order to attain expanded reproduction and not be overly reliant on the upper echelon.

The greater the authority and responsibility, the more necessary it is for the leadership of the party organizations in the enterprises to be strengthened, the system of management by the enterprise heads to be fully implemented, and the managerial participation by the masses to be further expanded. That is an objective, urgent requirement in the implementation of the new management mechanism.

The operational mechanism of the three principal forces in enterprises took form at an early date and was increasingly concretized. Therefore, many basic units were able to draft operational rules and bylaws, the relationships among the party committees, the enterprise heads, the trade unions, and youths were defined, and operations were put on the right track.

However, the relations among those three forces are still beset with many problems and solidarity and unity among the people who head those organizations is often shattered. In places and at times these problems have been serious and prolonged, which has considerably affected the production and life of those units. Some enterprises have changed their directors as many as three times without attaining internal unity. Some places have had to replace entire teams, and some places must, because of internal problems, extend the time between conferences of the enterprise party organization, etc.

In 1961 we carried out a confidential study among 64 directors and deputy directors attending an enterprise management supplementary training class held by the central light industry sector and the locality. The results were that according to 28 of the 64 responses there was a lack of solidarity in their units and according to 3 responses there was a serious lack of solidarity. Sixteen different reasons were given for the lack of solidarity. Most of the responses concentrated on the following reasons:

1. The enterprise heads lacked moral quality and ability, or one of the two (6 responses).
2. The party committees lack economic and technical knowledge (20 responses).
3. The management apparatus is incomplete and ineffective (26 responses).
4. The diseases of jealousy, status seeking, and competing for position (30 responses).



5. A lack of knowledge about economic management and industrial production management (63 responses).

6. Functions, responsibilities, authority, work relations, work style, and work methods have not been improved and specifically stipulated (30 responses).

7. A disparity in qualifications between directors, party committees, and trade union secretaries (10 responses)

On the basis of the results of that study, we gained additional understanding about the factors giving rise to clashes, where clashes arose, and which contents of clashes were widespread. We learned that clashes usually occur between the following people: between the director and the party committee secretary; between the director and the trade union secretary; between the party committee secretary and the trade union secretary on the one hand and the director on the other hand; between the deputy director and the director; among the deputy directors; and between the lower echelon and the leadership in the enterprises (party committee secretaries, directors, trade union secretaries, and youth union secretaries).

Among the various types of clashes, the most widespread and most dangerous are those between the secretaries and enterprise directors. A type of dangerous, but rare, contradiction is that between directors and the heads of organization bureaus. In some places there often occur disagreements in such spheres as the cadre organization work, the distribution of economic benefits, and benefits, living standards, and disagreements regarding such individual activities as corruption, degeneracy, etc. Disagreements seldom occur in the spheres of production and science and technology, and if they do arise they are rapidly resolved.

Furthermore, based on observations over a period of many years regarding clashes in the enterprises and the specific people involved in them, we see that they include a considerable number of people with stable political quality who had experienced many challenges; there were also people who had been trained systematically and basically; and there were also people who had been civilian proselytizing cadres or who are women, and there were also considerable conflict among them.

In addition, we see that a considerable number of party committee secretaries and directors who work together very well. They work together in building a corps of cadre cadres, effective colleagues who work together very harmoniously. We met with comrade Ky, for many years the party committee secretary of tailoring enterprise No. 10, who had just been awarded a third-class labor Medal (it is rarely rare for secretaries to be awarded medals). We also met with a number of party committee secretaries who had served many years in the textile sector, such as comrade Tlep, secretary of the 7-3 textile mill; comrade Ba, secretary of the industrial textile mill, etc., who had worked together well with many different directors but still got along well, despite the existence of many different state regulations. When we asked about the reasons for mutual solidarity and unity, they responded very clearly that there were no contradictions and clashes the parties looked to promptly correct clashes of

best of all, prevent them from occurring. But once clashes occur ways must be found to promptly resolve them. All people and organizations have their own functions and missions and must act in accordance with them, but must orient themselves toward a common goal, which is a matter of management art and cannot be attained on the basis of principles, stipulations, and laws.

From that situation it is possible to draw two conclusions of a law-like nature: wherever the leaders have solidarity and unity production develops and the psychological atmosphere in the enterprise is harmonious and happy. Wherever the leaders lack unity and quarrel, there immediately appear division and factionalism, the lower echelons speak ill of the upper echelons and of each other, and there appear a number of sycophants who scheme for their personal benefit. "When water buffaloes fight flies and mosquitoes die." That may be amended to read, "When water buffaloes fight the flies and mosquitoes grow fat." The collective psychological atmosphere is heavy and tense.

In order to contribute to perfecting the mechanism of the party leading, the enterprise heads managing, and the workers and civil servants serving as the masters of the enterprise, we would like to express the following opinions:

First, it is necessary to realize that enterprise management is management of a system. Each system has two special characteristics: a varied, complicated nature and a systematic, stable nature. The mission of management is to overcome the varied, complicated nature and maintain its systematic, stable nature. Therefore, the contradictions that arise in the course of collective labor are an ordinary phenomenon with a law-like nature. Otherwise, there would be no need for management. The principal objective of management is the resolution of the management relations, especially those between people, that arise in the course of collective labor. Those relations are resolved not merely by administrative resolved not merely by administrative means -- by norms, rules, and regulations -- but in close combination with educational, psychological, social, and other measures.

If the people affected by stipulations and regulations do not realize their objective necessity or that they are requirements for them those stipulations will have no effect or will be opposed.

For example, there is a stipulation that the director must regularly report to the party committee on the production and commerce situation, and request the opinions of the party committee before making important decisions. The directors implement that decision voluntarily and comfortably. When the directors realize that that general staff will help them by means of their wise opinions and creative, effective solutions, their guidance improves. Consulting the party committee is an act which arises from within, from the heart, of the director. If not, the director will consult the party committee out of compulsion, fearing that otherwise he will be thought to lack consciousness of organization and discipline, but will consult the party committee with the thought that "They are medical aides, while I, although an individual, am a doctor."

After the system of management by the enterprise director has been codified that system will be strictly implemented only when the masses voluntarily



accept it. Otherwise, as Lenin said, "That obedience will perhaps be like the soft command of an orchestra leader, if the people participating in the common work are completely conscious and disciplined. That obedience may be accomplished by means of the most dictatorial, harshest forms if there is no clear discipline and self-enlightenment." ("Marx, Engels, Lenin, Stalin and the Leadership System," Hanoi Publishing House, p. 35).

[24 Sep 64, p. 11]

Second, it is necessary to clarify the objectives, contents, and operational methods of the party organizations, enterprise heads, and trade unions as regards the objects of management in the enterprises. In the enterprise management system in general, the party organizations and enterprise directors (including the management organizational apparatus), and the mass organizations are subcomponents of management. The objects of management are the production elements. But the objects, goals, contents, and operational methods of each organization differ and are concretized according to the functions and missions that have been stipulated for each organization. Each organization must, on the basis of its function and the management processes, determine appropriate contents and operational forms for itself.

In enterprise management, it is necessary to fulfill many different functions, including the over-all leadership function and the specialized functions. The management function is also divided into such phases as preliminary management, specific management, and control.

The party organizations in enterprises must concentrate on fulfilling their common leadership functions. Those functions unify the decisive elements of all other functions of management. With regard to theory, the leadership function is the most general function.

The party organizations exercise that common leadership function in the phase of preliminary management, which includes determining the management goals and estimating the results of development achieved under the existing factors.

In the party activities in enterprises there are two closely related factors: leadership of the different organizations, especially the management organization of the enterprise head, and direct participation in management. But in both instances the party organizations exert effect by means of people, by means of the party cadres and economic management cadres. Comrade G. U. Preindeva said, "One of the problems is to distinguish clearly between the functions of the party committee and the missions of the state and economic organs, and eliminate duplication in the activities of these organs. That is a matter of political importance. With regard to the party committee echelons, to do something and come to work with the economic managers. We must always remember that." (Quoted by Comrade G. U. Preindeva at the extraordinary plenum of the Central Committee of the CPSU on 11 January 1964, published in "KPS" No. 1 on 13 January 1964).

The enterprise directors exercise their leadership by carrying out such specialized management functions as planning, organization, execution, and control. The enterprise directors must also carry out such specialized functions as

attain the objectives and measures set forth in the preliminary management stage, including the assignment of duties, education regarding objectives, the organization of plan fulfillment, the exercise of command, coordination, mobilization, and control.

The trade union and the Ho Chi Minh Communist Youth Union are independent activities under the unified leadership of the party organization. They have the right and obligation to participate in management in the specialized management functions of both the preliminary and specific management stages. Of those functions, educating, motivating, and encouraging the production workers are the most important.

Control in management is both a phase of the process of leadership and management and is an important function of management leadership. Control includes the analysis of the results attained (retroactive) and is the starting point of the new management cycle. Control is closely related to management activities: control before a task is performed (future control), control while a task is being performed, and control after a task is performed. Control before a task is performed is the most important because it prevents mistakes and having to pay a high price to correct mistakes.

The object of control of party organizations in enterprises is the management activity of the director and the mass organizations. The contents of control are the implementation of the resolutions of the party committee and the state policies and regulations regarding economic management, the fulfillment of missions assigned by the state, etc. The goals of control are to uncover mistakes. In the case of immediate problems, recommendations may be made to the director regarding their resolution; in the case of major problems, the necessary information must be gathered so that the party committee can later make a decision. The forms of control are very diverse and rich, such as listening to reports by the director, reading reports in the form of documents, visiting the production and construction sites, listening to reports by factory department heads, heads of professional bureaus, etc.

The directors control their management systems, which is in nature self-control. The contents of control are implementing the decisions of the directors and furthering the implementation of decisions to attain the desired goals. Control is an integral part of the management functions and processes, control in making estimates, and control in planning, organization, and in implementing the regulations and laws of the state.

The trade union and youth organizations in the enterprises participate in the control function as an information feed-back system for the leadership of the party and the management of the directors. In the course of implementing the resolutions, decisions, directives, and orders of the party and the enterprise directors in management, they uncover mistakes and deficiencies in order to convey the decisions of the party to, through the directors, be implemented with the regulations and benefit of the masses. The trade union also controls the implementation of the policies and systems promulgated for the directors by the state, especially with regard to matters directly related to the interests of the workers and youth workers in the enterprises. In the course of control they convey messages to the directors.

Third, improving the work methods and work style of the cadres.

Work methods occupy a very important position in management. They are a system of different paths, methods, and measures which are used by the leadership and management cadres to attain the goals that have been set. With correct methods the objectives will be attained with the least expenditure of time. If methods are clumsy and crude, criticism and self-criticism cannot attain the goals of solidarity will not be attained, but the result will be disunity.

Management is a creative activity, so its methods must also be very lively and creative. Those methods can have value only when the leader knows how to select methods appropriate to the environment, the situation, and the time.

The most important method is making management decisions. The product of leadership, management, or participation in management in enterprises is decisions. The quality of decisions is the yardstick for measuring the level of leadership, management, and the managerial participation of the party organization, the governmental administration, and the trade union in the enterprise. Therefore, it is necessary to improve the method of making decisions.

In an enterprise different kinds of decisions are made. If decisions were categorized by subject there would be decisions by the party committee as a whole, decisions by the director, and decisions by the mass organizations. If categorized according to content, there are decisions regarding organization, decisions regarding the economy and society, and decisions regarding technology and living conditions. The decision making process is divided into the following stages: the stage of preparing to make decisions, the stage of selecting the optimal decisions, the stage of making decisions, and the stage of organizing implementation. All people and organizations in the enterprise must, according to their positions and missions and to the type of decision, participate in preparing, making or carrying out decisions.

In order to promulgate correct, accurate, and timely decisions it is necessary to draft correct, clear rules regarding decisions, including a clear delineation of the responsibility of each organization in each stage of the decision making process.

With regard only decisions about the production guidelines and plans, but also regarding other matters, such as the promotion of cadres and energy, it is necessary to stipulate clearly who prepares the decision, who makes the decision, who is responsible, and who ultimately makes the decision. If such matters are not clearly stipulated, failure to promptly resolve a problem that arises will affect the activities of the system, especially the cadre organization work. For example, a certain factory needs a planning office head but the assistant to the director allowed months to pass without making a decision because the director wanted to promote comrade A, the party committee wanted to appoint comrade B, and the trade union wanted to request the upper echelon to make the decision. To prolong the situation and wait on one another while the fighting front lacked a chief of staff was truly strange. In that

situation the director should have been responsible for making the final decision. Only that would be in correct accordance with the commander system.

Among the decision making methods it is also necessary to categorize each task, such as tasks decided by the upper echelon, tasks which the enterprise requests the upper echelon to perform, and tasks handled by the enterprises. With regard to each type of task it is necessary to stipulate with regard to each task what the party committee must do, what the director must do, and what the mass organizations must do, in a spirit of heightening the authority and responsibility of the management by the director.

Furthermore, the people leading and managing the enterprise must utilize different methods, such as specialist methods, the method of requesting collective opinions, and the method of following the mass line.

The individual work style of the leader also has an important significance in building strong collectives. They must work with programs, plans, and a polite, subtle, and fair work style, be courteous and loyal, listen carefully to the opinions of others, respect others, and have a correct attitude toward the accomplishments of others, while also knowing their responsibility when the unit encounters difficulty. If all measures are truthful and impartial relations in the collective will be close; otherwise, "little problems will become big problems" and there will be bad feelings. From such small matters as one office being more elegant than another, who sits in the front seat of an automobile and who sits in the back seat, and whether the income of one person is higher than that of another person, to such major problems as who the sponsor of a person is -- the party secretary or the director -- and which faction is stronger, it will be difficult to foresee all consequences.

The mechanism of the party leading, the director managing, and the workers and civil servants serving as the collective masters of the enterprise is a very great, very complicated matter, but it is not a new one. The party, the state, and the mass organizations have made many relatively specific guidance stipulations. Of course, some aspects have not been concretized and codified, so we must continue to bring them up and recommend that the responsible organs continue to perfect them.

Although we have limited vision and have not worked with the directors and secretaries, i.e. have not yet "laid on the same blanket," we have boldly presented these thoughts in order to contribute to the good implementation of the policies of the party and state.

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## ECONOMIC PLANNING, TRADE AND FINANCE

### WORKERS' CONTROL UNITS SHOW EVIDENCES OF WRONGDOINGS

Hanoi LAO DONG in Vietnamese 11 Oct 84 p 5

[ Article by Le Thang: " Evidences Shown by Control Units " ]

[ Text ] Last month our editors' office received a letter from a Dong Nai worker who said that the commercial corporations in that province had distributed 10,000 cans of poor-quality milk containing toxin among third-shift workers, which by regulation was given to compensate for the harmful effects of such a shift.

The writer raised the question about whether the workers' control units had discovered it and stopped the distribution in time.

A notice on the workers' control units' activities sent over from the Standard-of-living Section of the Confederation of Trade Unions later clearly answered that question. It admitted that the incident in Dong Nai was true and further affirmed: " That was the third consecutive time in 3 years that the Dong Nai commercial sector allowed a total of 50,000 cans of milk to become contaminated while the needs of patients and children for milk were hardly satisfied. With the timely discovery by the control units, the commercial sector had no reason to let the poor-quality milk get into the supplies for the third-shift and harmful-shift workers.

As we read the notices on the activities of workers' control units, we found lots of negative things that these units had discovered and thus realize the true significance of such activities on the distribution-circulation front, where now things are sizzling.

In the first 6 months of 1984, according to incomplete statistics in 13 provinces and municipalities, the control units carried out 2,232 checks in connection with distribution and circulation activities. The results obtained show the following:

- Inaccurate weights and measures given to customers were a common and serious way of cheating. In some localities like Hainhong and Hanoi there were very many cases of inaccurate weights and measures amounting to as much as 10-20 percent.
- Goods were sold to the wrong people; goods intended for distribution were either sold among staff members or secretly brought into the free market.
- Sales of bus, train and boat tickets in the communications sector showed signs of getting worse. In the majority of terminals there were many people acting as intermediaries in selling tickets.
- The quality of goods was poor; in many commercial-sector stores, goods of good quality had been replaced by counterfeit goods before being displayed for sale.
- Although control measures were adopted in only a few locations in connection with the distribution of houses and land for housing construction, serious shortcomings were detected there.

In An Giang Province, an inspection of retail store No 2 and the counter of staff member Dao Thi Hai revealed the loss of 474.6 meters of cotton materials and 188 Oxyoz pants valued at 171,000 dong. Thi Hai later admitted the wrongdoing and paid back the above amount of money. In Hau Giang Province, intentional raising of prices was common. The total amount of money involving the price increases discovered by the control units in the entire province was 1,666,198 dong. In Bac Thai Province, a checking of the sales of bus tickets revealed that a staff member pocketed 400 dong per ticket in one day. Another case involved a man in charge of order at the terminal who "bought" 44 tickets for traveling on various lines in 13 days. In Cao Bang Province, a control unit revealed in the Quang Hoa District pharmacy the loss of many kinds of scarce and precious drugs valued at 400,000 dong and a number of staff members being the culprits. Through its workers' control work, the province was able to retrieve over 1 million dong.

We could go on and on mentioning the negative phenomena that the control units had discovered. But a common observation we made was that although such failures and shortcomings had been repeatedly discovered by the control units, the production installations involved did not take any corrective measures to overcome them.

In the first 6 months this year, the control units in Hanoi looked into the sales of draft beer and found that staff members of state stores gave customers an average of 20 percent less beer than what they should get. Each glass of beer was about 2 dong short of its full content. The Hanoi Food and Drink Service



discussed a corrective measure to be taken in the entire sector -- it designed a new kind of glasses that even with the foam being formed during the filling they would still contain 500 cubic centimeters of beer. While waiting for the new glasses to become available, it reduced the price of a glass of beer from 10 to 8 dong, which actually was the worth of 400 cubic centimeters of beer.

The way the Hanoi Food and Drink Service accommodated different opinions is very commendable. If it is widely applicable to other goods and in other localities, the workers' control work will certainly be more effective.

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## AGRICULTURE

### PARTY TUTORIAL EMPHASIZES COMBINED AGRICULTURAL STRENGTH

Hanoi NHAN DAN in Vietnamese 12 Oct 84 p 1

[Editorial: "Develop Combined Strength in the Alliance of Sectors Serving Agriculture"]

[Text] Agricultural production is a sphere of activity in which many sectors participate. Each grain of rice and potato is the result not only of the direct labor of the peasant class but also of the scientific-technical and economic-social sectors of the entire nation.

During recent years, in addition to the renovation of the management system, many scientific-technical accomplishments intended to develop the biological potential of agriculture, and the rapid introduction of advanced techniques to agriculture, have created conditions for agriculture to develop strongly in the direction of intensive cultivation and increasing the yields of crops and livestock. The recent winter-spring production season was affected by prolonged cold weather but the northern provinces, thanks to the prompt contracting mechanism and a large number of short-term, high-yield varieties, changed over from a passive status to taking the initiative during the rice seedling phase in order to avoid an area shortfall, as in previous years. The technical materials supply sector quickly and promptly sent the various kinds of chemical fertilizers, fuel, and machinery parts to help the teams meet the intensive cultivation technical standards. The water conservancy and electric power sectors did a good job of serving agriculture in dry plowing on schedules and fighting drought at the end of the season, and contributed considerably to increasing crop yields. The Youth Union mobilized its members to create intensive cultivation fields and high-output fields, and contributed importantly to disseminating technical advances and introducing them to the fields. The cooperatives, production collectives, and districts which attained high rice yields were attracted by many sectors.

Agricultural development along the lines of intensive cultivation and attaining high grain yields per cultivated area, while at the same time striving for all-round development, must further the role of industry and the economic-technical sectors, and the local forces of the districts and cooperatives must be combined with those of the province and those sent by the central government. Only by rapidly industrializing the rural areas is it possible to rapidly develop agricultural production and enrich the state treasury and improve the living standards of workers and peasants. The Party and the Government are determined to achieve this.

must jointly serve as the masters in agricultural development and in socialist construction, and take the initiative from the beginning in combining agriculture with industry to form a single structure.

In improving the operational mode and expanding the alliance of sectors serving agriculture, especially among the agricultural, water conservancy, and electric power sectors, it is first of all necessary to enable the plans and activities of each sector to mesh with the plans and activities of the production bases, and the responsibility of the sectors must be tied in with the ultimate production results on the basis of state plans and two-way economic contracts. The sectors serving production, such as those supplying technical materials, electricity, and water, and the other service activities, must fulfill the missions recorded in the plans and it must be ensured that the bases take the initiative in applying technical standards and effectively managing production. The economic-technical sectors must have stations, farms, and corporations at the district level and have basic-level networks. They must strengthen their guidance, be concerned with building up their sectors, serve as strong bases on which the district echelon can improve the effectiveness of its management, fulfill the real requirements of the basic level, increase the number of cadres and workers with ability and a good service attitude, truly contribute to increasing crop and livestock yields, draft operational regulations and conventions intended to strengthen the basic level, contribute to strengthening the collective economy, and build good relations between the sectors and the basic level, between the state and the people, and between the industrial workers and the peasants. In the alliance relationship, the sectors must carry out a division of labor, clearly determine service responsibilities, and concentrate on fulfilling the material-technical needs of the basic level. It is necessary to quickly overcome the situation of dispersed activities, overdependence, lack of responsibility, failure to respect the economic autonomy of the basic level, inequality in implementing contracts, etc., which are now major impediments to the intensive cultivation movement.

During the past several years our country's agriculture has had one successful harvest after another, and has attained high crop yields, especially with regard to rice, thanks to an important degree to the sectors serving agriculture. In bringing combined strength into play in serving agriculture it is necessary to perfect and expand the alliance of sectors in order to do a better job of serving the intensive cultivation movement and the all-round development of agriculture.

## AGRICULTURE

### AGRICULTURAL TRANSFORMATION IN NAM HO PROVINCE ANALYZED

Hanoi KHAI DAI in Vietnamese 25, 26 & 27 Sep 84

[Article by Ung Thi: "Agricultural Transformation in the Nam Ho Provinces: Forms and Paths of Advance -- Alliances and Joint Operations"]

[Text] Nam Ho -- one of the nation's largest agricultural areas -- is not only a key grain-producing area but also has great potential in many regards. Therefore, every year we have the occasion to go there on assignment once or twice, each time to study the subject of agricultural transformation -- one of the key, permanent missions of the localities there.

Recalling the first days after the beginning of the agricultural transformation, on 5 April 1978 in Ho Chi Minh City the General Secretary, after analyzing the special characteristics of the situation in rural Nam Ho, said that "During the past 20 years there have been many important changes in the situation of the rural areas and agriculture in the south, but we have not yet fully grasped that situation in order to have appropriate stands and policies." Six years later, we have considerably greater understanding. As for me, every time I go there on assignment I gain a little more understanding, but I cannot yet say that I have full understanding.

In past years the movement to transform agriculture in Nam Ho has not had easy sailing. At times it has been timid, at times it has been impetuous, and at times it has broken into segments. During the past several years the movement has developed well, but there are different opinions about how much progress has been made. We did not base ourselves merely on the increased cooperativization data but were truly pleased to see stronger determination and that the selection of forms and paths of advance are more appropriate.

Determining the specific path of advance and form of economic organization is a rather complicated problem in the process of carrying out the stands of our party and state. It is not only a lesson learned during the past several years but is a problem for study and inference in the process of transforming agriculture and building a new socialist countryside in the Nam Ho provinces. At times, the selection of correct forms and paths of advance plays a decisive role in the successful or unsuccessful implementation of the party's lines.

Production collectives, with an agricultural-industrial structure that is tied to the socialist unification of sectors and people's benefits

"With regard to agricultural production of a commodity nature, agricultural transformation must be tied in with the transformation of commerce," said Trung, Secretary of the Ben Tre Provincial Committee and Cai Lien, Secretary of the Phong Nhut District Committee believe that the method now being implemented in the form of models is "correct." Comrades in the Phi Tinh City also said that if the present production collectives are to be solid they must be agricultural-industrial-commercial, service, and export production collectives, and production collectives and agricultural cooperatives must be tied in with marketing and credit collectives.

Many responsible comrades we met regarded that as a new discovery.

Is it time that that is an entirely new matter? When I had the opportunity to review documents, beginning with the first documents of our Party and state regarding the agricultural cooperativization movement in the southern provinces, and in all cases noted the matter of combining the transformation of agriculture with the transformation of industry and commerce. But when sitting down and conversing with a number of comrades I found that their understanding of the requirement of transforming industry and commerce in past years was limited to the sphere of municipalities, cities, and towns. Although it is clear that the transformation of industry and commerce in those spheres is of utmost importance, what should be the form of industrial-commercial transformation in the rural areas of Tay Ninh?

Tay Ninh is an area which has been developed for only a little more than a century. From the very beginning many researchers believe that there took form at an early date a commodity production area, i.e. As important part of the agricultural products were exchanged on domestic markets or exported. When the transformation of agriculture began, in the above-mentioned speech, the General Secretary spoke of the foremost characteristics: "In many areas agricultural production has escaped from the subsistence status and machinery has been provided to perform some tasks, which has created relatively high yields. In some places there have begun to take form a number of concentrated production areas with relatively large scales." Thus beginning with commodity production and the mechanization of some aspects, the superiority of the collective production organizations is that they must expand that commodity production according to plan and maintain and gradually increase the scale of mechanization with high economic effectiveness. When we review today production collectives that have been formed and rural areas in such places we note the following points:

Most of the new production collectives primarily cultivated rice land, while the perennial crop land in the Mekong Delta, which amounted to 707,000 hectares, far fewer than the more than 2.5 million hectares of annual crop land, but provided a large harvest, mainly in the form of avocados, tin, coconuts. As the chairman of Ben Tre Province, and the deputy head of the Agricultural Section of Democratic Republic, observed that in places which only grow rice the people's living standards increase slowly in comparison to places which grow perennial crops and exploit aquatic products. The income derived from the collective economy by the cooperatives or production collectives in places which grow only rice usually accounts for a small part of the total income of the cooperative member and collective member.

Because many areas have escaped from subsistence production, the need for exchange and trade is an essential need of commodity production. In the past the rural areas were linked to the cities by means of private merchants, both long-range private merchants and local small merchants. In an Hiep Village in Thanh Hung District, Dong Thap Province, there are 86 small merchants, 85 of whom also engage in agricultural production and most of whom supply essential industrial goods to the peasants, engage in catering services, or assist the large agricultural products dealers. A number of industrial installations to serve the production and processing of agricultural products have taken form at the local level, and practically everywhere there are owners of tractors, rice mills, sugar mills, etc. Mat Trong, head of the Phu Loi Thuong cooperative in Ben Tre, and Nam Dung, head of cooperative No 5 in Tan Khanh Trung Village in Dong Thap Province believe that if agricultural transformation is not tied in with the transformation of industry and commerce at the local level the peasants, cooperative members, and collective members will continue to be exploited and the income derived from the collective economy cannot be high.

In areas with commodity production transformation must be accompanied by construction. Transformation must not merely be a matter of eliminating but also of replacing. If not, the ratio of commodity agricultural products and the lives of the cooperative members and collective members. The production cooperatives which advance stably are bases which combine all aspects of transformation and have good organization and management policies.

Let us take the sugar mill of the Phu Loi Thuong production collective in Ben Tre as an illustration. The new production collective collectivized 30.8 hectares of rice land, but among the collective member families there were still 14 hectares of sugarcane and 14.5 hectares of coconuts, i.e. the short-term and long-term industrial crop areas of the collective members equalled the collectivized rice area but provided higher income than rice. In the past there were five private sugar mills based on the sugarcane area of the cooperative members and the surrounding collectives. The production collective had not yet collectivized the sugarcane fields but had collectivized the sugar mills -- the sugarcane-processing bases -- and resolved the following problems for the collective and the collective members.

-- Because processing costs are lower (it costs private mills 5 dong to produce a kilogram of coarse sugar but a production collective charges only two dong), the collective was able to manage 14 hectares of collective members' sugarcane which could not yet be collectivized, which had the effect of guiding the family economy. Thanks to the effect of collective strength, it was possible to bring family production into the orbit of planning.

-- It contributed to preventing the private merchants from imposing prices on collective members, gradually enabled the rural market to have organized activities, and created favorable conditions for the producers. In 1983, because it controlled the sugar mills the collective was able to purchase 1,400 tons of sugar and control 100 percent of the output of the noncollectivized sugarcane fields.

-- The income of the production collectives from the collective economy and



accumulation increased. Although it charged a much lower processing price than the private sugar mills, in 1983 each dong of fixed property brought about for the collective a profit of .54 dong, and the profit from the sugar mills accounted for 24 percent of the total amount of profit of the production collective.

From the point of view of each production unit the benefit is easily seen. But from the point of view of the over-all plan there are still many problems which must be examined. We will deal with them in the following part.

The problem of transforming the market and expanding the collective socialist commercial network, which has many complicated forms. The expansion of the marketing cooperatives, a collective economic form that has been affirmed for a long time, but the new factor is clearly realizing its great role in expanding the socialist market in the rural areas. Some places have implemented that form well. In addition to state commerce, the collective commercial forms have taken over the rural markets, ensured the supplying of goods essential for the daily life of the peasants, purchased agricultural products from the peasants, and served as an agent in selling state products on commission. The stalls of the collective commercial bases occupy the most important positions in the rural markets.

In combining the state and collective economies in transforming the rural market, we noted in many places where we made enquiries, there are still many problems which have reduced over-all strength. In many places there are few Level 3 corporations helping the marketing cooperatives and usually account for less than 10 percent of the commercial products. The goods delivered are usually of poor quality and in small quantities, the commissions on agricultural products sold by agents is still low, and the quantity of local products is still too low, in the event that goods cannot be brought in from far away. Here there is a question that must be discussed: how many forms of collective commerce are there? In addition to the marketing cooperatives, many places have organized collective commerce in the production collectives, joint collectives, and cooperatives which is regarded as a commercial sector in that unit and is called a "supply-consumption" sector. It is both the source of support of the village marketing cooperatives and a sector of the production unit. We believe that that is also a new form that must be affirmed and will be discussed carefully in a later part. In other words, in order to serve production and the lives of the people it is necessary to expand the socialist commercial network and have a system at the basic level: supply-marketing stores that are tied in with the production collectives, agricultural cooperatives, village and district marketing cooperatives, and the state commercial corporations, which are combined with one another to form an extensive state and collective commercial network. Many people believe that it is very difficult to struggle against private merchants at a time when there is a shortage of goods, prices are not dynamic, and there is a deficient service attitude. As a commercial sector in the production collectives, it is linked to the producers, understand the everyday needs of the people they serve, and is subject to the supervision of the people it serves, so it will do a better job and the cadres will be better.



The struggle against the evil of lending at high interest rates is taking place rather widely in the rural areas and must be implemented in each base. The credit cooperatives are being expanded but few places do a good job. Many credit cooperatives we questioned were no different from stalls which accepted savings account deposits. If the low interest rates are not amended and the mode of mobilizing capital is not flexible, it will be very difficult to draw in the remaining capital among the people. The "people's credit" which was included in the sixth resolution of the Party Central Committee is being applied rather flexibly in order to draw in the people's capital for use in construction, production, and serving the people, to which we will refer in following parts.

[26 Sep 84 p 2]

High and Low, Small and Large, Who is Better Than Whom?

In the agricultural cooperativization movement in the Nam Bo provinces there are production collectives and cooperatives. The "production collective" is a term unique to the agricultural cooperativization movement in the southern provinces. In nature, they are small-scale cooperatives. The term "cooperative" refers to socialist collective production organizations on a moderate scale. The question of whether the scale is large or small usually depends primarily on the agricultural land that has been collectivized and the number of workers participating in those organizations. Practically everyone is of the opinion that the cooperative is a higher organizational form than the production collective.

So how do "high" and "low" differ?

Agriculture has a clear local nature, so it is very difficult to accurately compare localities and areas with one another. For that reason, let us compare the Thanh An production collective and the Hoa Thanh cooperative, which are both units which operate successfully and are in the same village -- An Hiep in Chau Thanh District, Ben Tre province.

With regard to the collectivized area, the collective has 32.1 hectares and the cooperative has 81 hectares.

With regard to fixed property, the collective has a value of 5,870 dong per hectare and 678 dong per worker, while in the cooperative the corresponding figures are 7,407 dong and 725.5 dong. In general, the material-technical bases per hectare and per worker are dissimilar.

With regard to rice yields, during the 1983 winter-spring season the collective attained 4.5 tons per hectare while the cooperative, which suffered damage from insects and diseases, attained only 2.7 tons. During the summer-fall season the collective attained 4.7 tons while the cooperative attained 4.5 tons.

In fact, after making an analysis of many aspects we could not conclude that the Hoa Thanh cooperative was superior to the Thanh An production collective, and that was not taking into consideration the fact that the collective's yield

had a better tendency and had a more efficient management apparatus. Both units had high-yield fields to rapidly increase average yields. In determining the technical standards and the norms regarding the investment of fertilizer in each type of field in order to attain high final output, there is not only the matter of techniques but also the matter of exercising management from the very beginning. Those things can also be implemented on areas larger than 30 hectares.

If we take a broader view we see that in Ben Tre Province the Phu Loi Thuong production collective also has a scale of 30 hectares of land, but it concentrated on water conservancy and on soil improvement, reorganizing the fields, applying technical advances to production, and transforming its one-crop per year land into land growing two crops a year. In 1983 it transplanted 28.3 hectares of two-crop land and attained a yield of more than 10 tons per hectare. It set up five sectors and seven production bases with a total average capital of more than 3,000 dong per worker. Thus should we regard the Phu Loi Thuong production collective as being a "high" form, or should one regard a certain cooperative as being a "high" form?

In the places we visited there were the following problems which require study?

1. With a production collective scale of nearly 30 hectares of land, under the conditions of labor still being essentially manual (in Nam Bo only soil preparation and irrigation are mechanized), it is still possible to practice intensive cultivation and attain high yields. And with a correct working method -- more on that later -- it is still possible to carry out a division of labor and develop the sectors and trades. It is also necessary to study the experiences of some countries in organizing the production of short-term crops, especially rice. In such countries, with modern computers some people believe that on the scale of about 30 hectares a production organization will bring about the highest economic effectiveness. However, there still take form large specialized cultivation areas which do not impede mechanization and the application of the results of the biological revolution. Perhaps the time has come to review the organization of production with regard to each type of crop and livestock, under certain conditions regarding material-technical bases and cadres, to determine which scale is the most effective. The highest effectiveness must be the basis for evaluating the most effective organizational form.

2. With regard to agricultural production, should we not regard the scales of land and labor as merely reference norms? The scale of commercial activity is the most important standard for judging whether a unit is "high" or "low" in the process of advance. If it is "high" it must have greater economic effectiveness than a "low" economic unit. Otherwise, the distinction will merely be formalistic. We do not deny that the process of "concentration" in advancing production from a small scale to a large scale, but "concentration" does not mean that a production unit becomes increasingly larger. The problem is to find the correct form and path of advance in that process. (We will discuss this in greater detail in a later part).

How about the use of labor and land? Which trades should be set up?

To say that the Mekong Delta has an immense area and a sparse population is to speak in the most general sense. An area that is relatively easy to work is an area which is not too large and the population of which is not very sparse. Many statistics have proved that. To expand the object of production is to advance into areas which have sparse populations and are not easy to work, in order to increase the use cycle of the land and practice intensive cultivation.

Expanding the area growing additional crops is a major capability because in the Mekong Delta the land use ratio is only 1.09. Labor is the principal production force. When the peasants are reorganized into production collectives, although no additions are made to the material-technical bases there is the added factor of the reorganization of labor in order to increase the strength of those production forces, so the production relations may be tied in with the production forces from the very beginning. Thanks to the reorganization of labor to do water conservancy work and improve the land, the advanced models of which we have spoken, such as Phu Loi Thuong, An Hiep, and Luong Hoa in Ben Tre Province, or Tan My and Tan Khanh Trung in Dong Thap Province, can rapidly expand the increased-growing-season area and practice intensive cultivation. But in areas with large areas and sparse populations, such as the Long Xuyen quadrangle area, Dong Thap Muoi, Minh Hai, etc., the adjustment of land must be combined with the distribution of population. Ordinarily, in order to distribute the population in a stabilized manner it is necessary to create the initial bases, such as houses, hospitals, schools, stores, etc., and use that labor, in accordance with traditional production experiences combined with advanced techniques, to develop the difficult areas, at a time when there is still little state capital. That is a math problem that is not easily solved. When creating the second echelon bases, many places, primarily on the basis of intensively cultivated land and the organic capital, advanced gradually from the easy to the difficult, to the areas which still practice extensive cultivation and primitive cultivation. However, there are few such models. Creating models and drafting policies to encourage increasing the number of crops grown per year is something that must be done urgently in order to exploit the fertile land of the Mekong Delta, accompanied by the organization of economic units in the areas with much land and few people which grow only one extensively cultivated crop and provide only 2 months of employment, and where it is thus difficult to find contents for "production solidarity" or "collectives."

Many people have made the very accurate observation that the Mekong Delta is clearly a monoculture rice-growing area and few tile-roofed houses are to be seen. The unused labor in that region is still considerable. In general, because the production collectives mainly grow rice, each worker in a production collective works for the collective only about 100 days a year, and less in places which grow only one crop a year. In very few places do workers work 250 days a year for the collective. Only by promoting the intensive cultivation of rice and expanding the sectors and trades can the cooperatives use labor well, increase capital accumulation for the collective, and improve the cooperative members' living standards.

In the Mekong Delta, a commodity agricultural production region, as was analyzed above, many areas combined agricultural transformation with the

transformation of industry and commerce and had an agricultural-industrial structure from the beginning. With sectors and trades which took form in the course of transformation, in places which are regarded as models with regard to the expansion of sectors and trades, especially the processing of agricultural products from the locality and the surrounding area, and service trades (rice milling, retail sales, catering, etc.). Basing the structure of small industry and handicraft sectors and trades in the production collectives and cooperatives on the agricultural raw materials and the needs of the people's lives, as has been the case, is correct. The construction materials production trades, which were often developed by the cooperatives in the north have not yet been extensively developed in Nam Bo because fuel must be transported long distances and there was a lack of initiative.

That is easily seen when one examines the income structure in Phu Loi Thuong. When we use the year 1983, in round figures, to analyze the situation we see that of the production collective's total profit of 737,000 dong agriculture accounted for 90,000 dong, sugar milling for 177,000 dong, refined sugar for 46,000 dong, rice milling for 134,000 dong, commerce for 246,000 dong, and public health for 43,000 dong. Thus it is clear that although by means of intensive cultivation the agricultural sector attained more than 10 tons of paddy per hectare it accounted for only 12 percent of the total profit, while the sugar processing sector accounted for 30 percent of the total profit and the rice milling sector for 18 percent. The commercial sector, which was quite profitable, accounted for 37 percent of the total profit. Many people believe that if the small merchants and sugar mill owners were allowed to operate "freely" the producers would have been exploited twice as much.

Thus in expanding sectors and trades in the production collectives and cooperatives in the Nam Bo provinces it is necessary to simultaneously resolve the following problems:

1. The all-round expansion and development of agriculture, including cultivation, animal husbandry, and pisciculture has only begun to receive attention and must be stepped up in both breadth and depth, in order to correspond to the latent capabilities. The investment of agricultural development capital is an important direction because even in places in which the sectors and trades are best developed agricultural labor still accounts for 80 percent of the total labor. Combined economic activity must bring about higher economic effectiveness than rice monoculture. Many models have clearly indicated that the expansion of product contracting to the crops and livestock of the sectors and trades allows many sectors to operate effectively, which we have had the occasion to observe.

2. It is necessary to allow the production collectives and agricultural production cooperatives to, on the basis of their production structures, develop the local processing trades. Only then will it be possible to have additional sectors and trades and a stable division of labor. But what should be the scale, and what kind of vertical organization should be set up so that the food industry factories can have raw materials for production? There are many different opinions regarding that matter. We believe that such production collectives should be assigned the preliminary processing of agricultural



products in order to economize on transportation costs and reduce the quantitative and qualitative waste of raw materials, otherwise the expansion of handicraft sectors and trades in the production collectives will encounter difficulty. With a few exceptions, the production collectives should use manual and semi-manual implements to preliminarily process agricultural products, under the conditions of energy being very scarce. Otherwise it will be extremely difficult to expand that sector widely. When we enquired we learned that places which do a good job must find 10 to 12 tons of oil and grease every year for the processing sector.

3. Although Nam Bo is a commodity agricultural area it is not evenly developed. In the interior, where there is essentially only rice land, the handicraft sectors and trades have not yet been developed. There are essentially only such service trades as rice milling and catering. The question of which sectors should be developed on a stable basis in the production collectives and cooperatives should be further studied. One should not think that one or two models can be applied widely in many places.

4. The development of sectors and trades must be based on a plan that includes both the province and the districts in order to have solid development. This will be discussed in greater detail in a later part.

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Are alliances-joint operations on the basis of combined collectives the path of advance after the production collectives have been set up?

In achieving balance among the four capabilities, it is clear that self-reliance is the most important. Capital supplied by the upper echelon is very important but is clearly limited. With regard to export-import there are still the problems of the exchange ratio and the right to use foreign exchange, and in the formation of joint operations and alliances there are many very rich forms but also many problems which must be discussed so that they can be correctly implemented.

There are many forms of alliances and joint operations: between the central level and the local level; among sectors; among localities; among the bases; among agriculture, forestry, fishing, and industry; between production and processing; between production and distribution-circulation; among the state, collective, and family economies; between production and scientific-technical research and application, etc. All such forms of alliances and joint operations must be recapitulated. The formation of alliances and joint operations, which are intended to create combined strength so that the central, local, and basic levels can grow together and build a new economic structure, is a very great matter which is very worthy of discussion. In the scope of this article we will discuss only one topic: the formation of alliances and joint operations in the course of advance after completing the formation of production collectives.

After the formation of production collectives, it is necessary to continue to advance. But each forward step has its own conditions and should not upset the organization.. Alliances and joint operations are intended to create

conditions for advance, but I believe that there is more to it than that. Joint operations and alliances are also intended to find forms and paths of advance, to find out which sectors should be on a moderate scale and which ones should be on a small scale. Economic-social effectiveness must be the only correct yardstick. In many Nam Bo provinces, there have been many innovations in the implementation of the resolutions and directives of the Party and state. All provinces have set up joint operations and alliances, but one of the forms that has created much interest is the organization of joint production collectives as a means of joint operation and alliances on the path of advance of the agricultural cooperativization movement.

Previously, in the north progress usually followed a straight line: the scale of 30 hectares, then about 100 hectares, then about 200 hectares. Why has the form of alliances and joint operations not thought of at an early date, instead of only advancing in a straight line? I continually think about that.

"Joint production collectives" is a term for a moderate cooperative framework based on hamlets or combined hamlets, with a scale of 200 to 300 hectares in areas growing two rice crops and a larger scale in one-crop areas. A production collective with a scale of 30 to 40 hectares is capable of intensively cultivating rice, but with little capital it is difficult to build large material-technical bases, expand sectors and trades, and carry out an active division of labor to fully utilize labor and land. But if the scale of cooperatives is expanded hastily there will be many contradictions and complicated management problems which cadres are not yet capable of resolving, which could easily result in low production and commercial effectiveness.

Dong Thap Province has organized 73 joint production collectives. A good model is joint production collective No 1 in Tan My Village, Thach Hung District, which consists of eight production collectives situated along the Mekong Delta with a cultivated area of more than 350 hectares, and began to operate in the 1983-1984 winter-spring season. In that joint production collective, each component production collective has independent accounting, form alliances and work jointly to perform certain tasks and in some sectors and trades, and contribute to increasing the incomes of the production collectives and gradually create common material bases. According to Tam Bach, party chapter secretary, and Sau Nam, head of the joint production collective, joint production collective No 1 undertook the joint operation of the following tasks:

1. On the basis of collectivizing the pumping machines, threshing machines, tractors, and cultivators, and the additional contributions of the component production collectives (some places combine machinery collectives with production collectives), the joint production collective organized the joint formation of five specialized units to assist the production collective members who accept product contracting: irrigation, soil preparation, rice husking, machinery repair, and vegetation protection (why no seedstock unit?). The specialized units sign contracts with the production collectives in accordance with the norm of end-of-season per hectare payments of 200 kgs of rice to the irrigation team, 100 kgs to the rice husking team, and 200 kgs to the plow and cultivator units. The vegetation production unit, which has eight teams in the production collectives, is paid on a piecework basis by the production collectives. The machinery repair team is paid at fixed rates depending on the



workdays invested in major, medium, and minor repairs and in maintenance. The specialized units keep accounting books. That is something that is new in the northern cooperatives. During the recent winter-spring season, the money remaining after paying the machinery owners for the collectivization of their machinery according to contract, repair expenses, and the depreciation of fixed property, was paid in wages to workers in the specialized units at the uniform rate in the collectives of 13 kgs of paddy and 13.8 dong per workday. More than 10 tons of paddy and some of the remaining money was placed in the joint cooperative fund.

2. Alliances among the collectives in building material-technical bases to serve agricultural production and promote water conservancy. More than 26,000 cubic meters of earth was excavated and the collectives worked together to build fields and area dikes, and dig ditches to irrigate an area of 230 hectares in order to change the crop seasons, add to the crop seasons, grow soybeans between the two rice crops, and bring an end to monoculture, which the production collectives were hardly capable of doing individually.

3. Joint operation of small-industry and handicraft trades, especially setting up sugar mills and rice mills on the basis of collectivizing the machinery or operating jointly with the machinery owners. Under the guidance of the province and on the basis of norms, the small industry and handicraft installations contract out output based on work shifts. The money remaining after deducting the material expenses (including capital payments to machinery owners and taxes), placing part of the actual income in funds (accumulation fund, 5 percent; repair fund, 12 to 15 percent; public welfare fund, 2 percent; bonus fund, 2 percent), and deducting for fixed property depreciation, is used to pay piecework salaries to workers (about 40 to 50 percent) and distribute profits to the production collectives (about 50 to 60 percent). During the first 6 months of this year the profit earned by the rice mills amounted to 93,000 dong and the profit earned by the two sugar mills amounted to 298,000 dong.

4. The production collectives contributed capital to open three joint marketing and service stores to serve as extensions of the marketing cooperatives, opened a store in the interior to serve as an agent in the retail selling of consumer goods to serve the lives of the people in the production collectives, and signed a contract with the marketing cooperative authorizing it to purchase such agricultural products as beans, pork, shrimp for export, etc., and manage the market in its area of responsibility so that private merchants cannot go to the rural areas to compete with the state in purchasing agricultural products and upset the market. Although they serve as branches of the marketing cooperative the stores have separate accounting books and implement product contracting. During the first 6 months of this year they earned a profit of 117,000 dong, 60 percent of which was distributed to the production collectives.

Joint production collective No 1 also jointly build public welfare projects, such as a public health-midwifery clinic which employs two medical aides and a private midwife to serve the people and keeps accounting books, and two nursery schools with four classrooms, sufficient for all children of school age. It organized a soccer team and a volley ball team so that youths could have wholesome relaxation.

Joint production collective No 1 is a model. Not all joint production collectives in Dong Thap Province have been able to accomplish as much. When we visited Tan Khanh Trung, in the middle of a district, we saw that the joint production collectives there had not yet done as well in carrying out joint operations, with such rich contents, as in Tan My, even though they are a trial phase in advancing which replaces the hamlet production management committee, for they have a number of joint economic contents. In the past, and perhaps from the very beginning, it was not that we had not thought of that form of joint operation and alliances, but when we went there to study the situation we saw that joint operations and alliances had become a path of advance and positive preparation for later steps but had not upset organization and had from the very beginning introduced product contracting and economic accounting into the management of sectors and trades and quickly assimilated the new changes in the management mechanism.

The reason why I have emphasized that step is that in the places visited I noted that the tendency to want to advance to a large scale is developing, i.e. to advance immediately to a moderate-scale cooperative or to a "unified distribution joint production collective," which is in nature also a moderate-scale cooperative. In some places, especially at the basic level, that tendency appears to be uncontrollable, so it must be promptly stopped. Many comrades are very pleased with the concept of "unified distribution," note that it appears to be a "higher" form, and want to end the disparity among the collectives immediately, and most of the poor collectives are in remote former base areas. Concern for the former base areas which are still experiencing difficulties is legitimate and there are many ways to carry it out. But doing economic work differs from "charity" activities. We participated in a debate at Khanh Trung in Dong Thap Province. By using a small calculator we could immediately see the disparity among the production collectives in the village's joint collective No 2, headed by Ba Xe, which intended to carry out "unified distribution" that season, which would have the effect of eliminating joint operation and alliances and form a cooperative with a scale of 262 cultivated hectares. That disparity was manifested as follows: in the years following the formation of the joint production collective two production collectives had an average level of fixed property per hectare of between 1,300 and 1,500 dong, and three collectives had a level of between 3,300 and 3,900 dong, i.e. more than twice as much; with regard to bank debts, three cooperatives had no debt and two owed a per capita average of between 103 and 203 dong; and the value of a workday varied from between 7 and 8 to 10 kgs. The comrades said that when preparing for the "unification" the collective members had no uncertainties. But it is not easy to win the approval of ordinary workers in view of that disparity. It is very dangerous to carry out levelling after consolidating, for positive places will not become more positive and those experiencing difficulties may easily become dependent. That is not to mention the managerial ability of the joint production collective cadres and solidarity among cadres of the production collective cadres when forming "unified distribution joint cooperatives."

The principle of "voluntariness" is not merely a principle when production collectives are formed but also in the course of advance. The basis of "voluntariness" in economic management is benefit, in order to bring into play the collective right of each base and worker.

## District Development -- Some Urgent Problems

During that official trip we learned about the situation in the districts of Mo Cay and Giong Trom (Ben Tre Province) and Thanh Hung (Dong Hung Province). Clear progress has been made in transformation and construction. Since the liberation production has developed rather rapidly and the quantity of agricultural products delivered to or exchanged with the state has also increased rather rapidly. Much very useful experience has been gained. But in general only about 60 percent of the peasants' surplus grain is controlled and only about 40 to 50 percent -- in some cases very little -- of the other products are controlled. In Ben Tre Province it is possible to purchase as much as 12 billion dong worth of commodities a year, but there is not enough money and prices have not been promptly set, especially during the harvest periods, so the quantity of products controlled does not correspond to capability and desire. At a time when there is an imbalance between money and goods everywhere there are basic-level models which have resolved that problem very intelligently and creatively. For example, when it lacked money Luong Hoa Village in Ben Tre Province set "future prices" when buying sugar from collective members. Three months later it paid for the sugar at the price of 1.5 dong per kg, which was higher than the price at the time of sale, i.e. an annual interest of about 33 percent had been paid. Tan My Village in Dong Thap Province bought goods on credit in terms of paddy prices. When payment was made, if the price of paddy had dropped the original price was used and if the price was higher the original price plus interest was paid. There are many forms of people's credit at the basic level. Only if there is a fair interest rate at the time money or products are borrowed can the people's idle capital be mobilized. Many comrades said that the marketing cooperatives and credit cooperatives are branches of, but should not be the "tail" of, state commerce and the state bank. Such cooperatives are collective commercial and credit bases which have a relationship to and are under the guidance of the state bases, but in their professional activities they must be allowed flexibility so that they can control the people's goods and money to serve the common benefit and struggle effectively against private merchants who upset the market and against lending at high interest rates.

Now let us return to a very important topic: district development. We had the occasion to learn about the over-all plans of a number of districts. The plans have a more scientific basis and more appropriate paths of advance are determined. Thanh Hung is a district that has essentially completed the organization of peasants into 451 production collectives and is promoting the transformation of industry and commerce. According to the plan of Thanh Hung District (Dong Thap Province), in 1985 the value of agricultural products in the district's economic structure will account for 70.6 percent of the total, while commodity products will account for 37 percent and agricultural products for export will account for 5 percent. In organizing the implementation there are the following problems, which are related to district development.

1. Organizing production in bases which are taking form. On the basis of the Tan My village model, specialized units are taking form in the process of carrying out a division of agricultural labor in the basic-level production units, but the technical services system at the district level has not yet been

well constructed and does not have sufficient strength. In brief, horizontal alliances are being formed at the lower echelon but alliances at the district level to form a district-wide technical services structure are not yet strong. Building a state technical services system at the district level with a contractual mechanism is an urgent matter in ensuring the initiative of the bases and people accepting contracting out.

2. In view of the special characteristic of many areas in the district -- combining the transformation of agriculture with the transformation of industry and commerce -- at the basic level it is not necessary to build additional bases, for in many places there already exists an economic structure consisting of agriculture, industry, commerce, and services. But in general that structure is taking form spontaneously: all places have rice mills, sugar mills, and stores. There are, however, no sector plans at the district level. If plans are not quickly drafted, and that momentum is allowed to continue, when the sector plans, especially for the industry, small industry, and handicrafts sector, are completed there will have to be a reorganization at the basic level, which will create considerable difficulties for production.

3. An important part of the agricultural output in the district is commodity production. In addition to rice and soybeans, the important export products are bananas, shrimp, and mangoes. Comrade Nam Chau, secretary of the district party committee, was worried about who would buy and market such products. Last year the district had 3,000 tons of soybeans but only 1,500 tons were purchased because of irrational prices and because the producers didn't know to whom they should be sold, so they had to sell them to private merchants, who regard any amount as being small. The same is true with regard to sugarcane this year. When we were there, in September, the sugarcane season was half over and the sugar mills were in full swing but prices had not been set. Tam Hong Nhan, head of the agricultural committee of Dong Thap Province, said that "If peasants producing commodities do not know how much profit they will make or where their products can be sold they will not produce them."

4. According to the comrades in the district, the marketing and credit cooperatives must guide in such a way as to struggle effectively against speculation and lending at high interest rates. Marketing cooperatives have been set up and have begun to operate well, but the comrades in the district believe that "It is not that we did not have such cooperatives in the past, but they have been set up and collapsed three times." The secretary of the district party committee said that "Industrial goods are not plentiful and are not firmly controlled. Commerce at the upper echelon forbids us from traveling long distances to purchase them. We receive goods that are hard to sell or are damaged, but good products are sent to agents or 'behind the backs of agents'. No goods are available, so how is it that the private merchants have them? There is not only a shortage of goods but they are adulterated and the service attitude is poor, so it will be difficult to struggle against the private merchants."

The people have much capital but, in the words of Tu Quyen, "does collectives capital differ from savings accounts?" If interest rates are not resolved it will be difficult to mobilize the people's idle capital.



5. The villages in Nam Bo are quite large. If joint collectives jointly work 200, 300, or 400 hectares, each village could have four or five joint collectives. The village cadres must know economic management. Thus at the same time it is necessary to train cadres for the production collectives, the joint collectives (or cooperatives), the villages, and the district sectors. The cadre training mission is very great. Most of the districts have schools to train collective management cadres. Thanh Hung District held 11 training courses for 800 to 900 collective management cadres, but most were short-term courses.

Increasing the number of management and technical cadres is an important concern in developing the district. Two provinces and six districts we visited needed college-level cadres to carry out the three revolutions but this year the number of college graduates in the provinces is very small. Of course, it is necessary to gradually improve the quality of general education, but there should be training plans for the localities, or a policy to bring college students in the provinces into reserve classes to ensure quality for the colleges, while also defining the area of operations of the cadres from the time when they begin training.

District development is an urgent concern in the Nam Bo provinces and is appropriate to the agricultural transformation movement, the organizational stage of which was completed at the end of 1975, with the principal form of production collectives, at a time when the specialized apparatus and cadres in the districts we visited were weak. Thus the question that is now being posed is what forms and paths of advance should be adopted to resolve that contradiction.

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